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Is N Korea an undeclared nuclear power?
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The Tietê River
The \$4m rescue plan
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What it's worth
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France shocked by Alcatel
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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JULY 6 1994

DB523A

NEC may invest \$1bn in new US or UK chip plant

NEC is considering building a \$1bn semiconductor plant in either the UK or US. The Japanese electronics group believes it unlikely that its latest semiconductor plant, to be opened soon in Kyushu, southern Japan, will meet rising global demand. A new plant could create up to 1,000 jobs. **Page 14**

US stock and bond markets held their ground in nervous trading as investors waited to see if the Federal Reserve's open market committee (FOMC), which began a two-day meeting in the afternoon, would vote to raise interest rates. **Page 14**; **Weak dollar**, **Page 19**; **World stocks**, **Page 36**; **Currencies**, **Page 32**

Beijing plans film curbs China signalled that imported films would be limited to 30 per cent of its movie market, claiming the restriction was to protect its film industry. **Page 14**

Push for Bosnia deals The US and Russia said the arms embargo against Bosnia's Muslim-led government could be lifted if it accepts a new partition plan for the republic while the Serbs reject the proposal. **Page 2**

Rwanda warnings French troops will "retaliate" if the refugee zone they have created in south-west Rwanda is attacked, France's foreign minister Alain Juppé, said. **Page 4**

Airbus Industrie, European aerospace consortium, is expected to announce tomorrow the formation of an aircraft financing subsidiary, Airbus Finance Corp, to handle financing of future Airbus sales to airlines. **Page 25**

Computer network groups link-up Wellfleet Communications, America's second largest manufacturer of routing devices to link computer networks, announced a \$1.1bn merger with SynOptics Communications, a leading supplier of computer network switching and management systems. **Page 17**

Swedish growth projection cuts A recent rise in interest rates will cut Sweden's projected GNP growth by up to a third next year and add SKr10bn (\$1.2bn) to the budget deficit, finance minister Anne Wibble, said. **Page 2**

Kantor claims policy success US policy of linking improvements in labour and intellectual property rights in developing countries with the tariff-free benefits granted under the US Generalised System of Preferences has yielded "substantial results", says the US trade representative Mickey Kantor. **Page 7**

Ararat returns to Jericho PLO leader Yasser Arafat flew into the West Bank city of Jericho after 27 years of exile to press his demands for a speedy expansion of Palestinian self-rule. **Page 6**

Tokyo presses on with tax cuts Japan's new government confirmed it plans to cut income tax, in an effort to stimulate domestic demand and curb the trade surplus. **Page 6**

Menem policies draw protest Argentine President Carlos Menem braced himself for what organisers claimed would be the largest demonstration against the government's free market economic policies since he took office in mid-1989. **Page 8**

Brazil's monthly inflation tops 50% Brazilian inflation accelerated sharply in June before the launch of the country's new currency, with the monthly rate more than 50 per cent. **Page 3**

Rain damper for cricket England and New Zealand drew the third cricket test at Old Trafford after rain cut short play on the final day. England won the three-match series 1-0 with two matches drawn.

Blaze shuts Gotthard link The 17km Gotthard road tunnel, Europe's longest and an important link for Italy with the rest of Europe, is expected to stay closed until Saturday after a truck blaze inside the tunnel.

Horn of plenty A length of carved and decorated medieval horn, over 1m long, sold for \$441,500 (\$671,000) at Christie's auction house, London.

Dahmer attacked in jail US serial killer Jeffrey Dahmer was slightly wounded when another inmate tried to cut his throat using a home-made razor weapon at the Columbia Correctional Institute at Portage, Wisconsin. Dahmer is serving 15 life terms for 17 murders.

Bomb bid foiled A woman was arrested when she tried to bring a bomb with 2.5kg of explosives into the shrine of Iran's late revolutionary leader Ayatollah Khomeini in Tehran. Security authorities said she intended to detonate the device during evening prayers.

STOCK MARKET INDICES			
FT-SE 100	2,965.0	(-5.4)	
Yield	4.18		
FT-SE Eurostoxx 100	1,216.56	(-10.31)	
FT-SE-Air Share	1,481.81	(-4.19)	
Nikkei	20,824.37	(+22.44)	
New York: DOW Jones Ind	3,660.25	(+13.60)	
S&P Composite	447.86	(+0.88)	
US LUNCHTIME RATES			
Federal Funds	4.1/4		
3-mo Treas Bill: Yld	4.287/8		
Long Bond	84 1/2		
Yield	7.9/8		
LONDON MONEY			
3-mo Interbank	5 1/2	(Same)	
Life long gilt future: Sep 100.2	100.2		
NORTH SEA OIL (August)			
Brut 15-day (August)	\$17.58	(17.47)	
Gold			
New York Comex (Aug)	\$386.9	(388.1)	
London	\$386.8	(385.0)	

STERLING			
New York: LUNCHTIME	1.543		
London:			
\$	1.5406	(1.5394)	
DM	2.438	(2.450)	
FF	8.3565	(8.4159)	
Sfr	2.0459	(2.0612)	
Y	192.24	(192.143)	
E Index	73.4	(73.6)	
DOLLAR			
New York: LUNCHTIME			
DM	1.8835	(1.8946)	
FF	5.4285	(5.4645)	
Sfr	1.329	(1.3373)	
Y	96.875	(96.705)	
E Index	63.4	(63.5)	
Tokyo close Y 99.5			

Fresh hope for EU accord over Delors' successor

By Philip Stephens, Political Editor, in London

Passing a Major hurdle: seven men the UK would not veto



John Major



Rudi Lubbers



Hans Van den Broek



Giuliano Amato



Renato Ruggiero



Poul Schlüter



Uffe Ellemann-Jensen



Pedro Solbes

The emergence of seven possible candidates for the presidency of the European Commission has reinforced optimism in the British government that there will be an early end to the dispute over the successor to Mr Jacques Delors.

UK ministers indicated that the names on a draft list of contenders - drawn up by Britain but representing the government's understanding of the position of other European Union member states - are all broadly acceptable to London. The names have been canvassed during intense consultations among EU govern-

ments after the deadlock at the EU summit in Corfu last month. It also became clear yesterday that Mr John Major, the UK prime minister, now appears willing to risk the anger of Eurosceptics in his own Conservative party by nominating Mr Neil Kin-

nock, the former leader of the opposition Labour party, as Britain's second commissioner in Brussels from January.

Among the fresh contenders for the Commission presidency are Mr Uffe Ellemann-Jensen, the former Danish foreign minister,

and Mr Pedro Solbes, the Spanish finance minister. But Mr Giuliano Amato, the former Italian prime minister, apparently remains the favoured choice in London.

British ministers acknowledged that the list, which also includes candidates from the Netherlands, is by no means final. A strong contender from Belgium might yet emerge within the next few days. Mr Peter Sutherland, Irish director-general of the General Agreement on Tariffs and Trade, could also re-enter the race.

Continued on Page 14

S African finance chief's departure knocks markets

By Mark Suzman and Michael Holman in Johannesburg

Mandela names prominent banker as Keys' successor

Mr Derek Keys resigned suddenly yesterday as South Africa's finance minister in a move which threw markets into turmoil and raised concern about the country's future economic policies.

Mr Keys, who said he would stay on at least until October in order to allow time to find a suitable successor, denied that any policy clash lay behind his announcement, and cited unspecified "personal reasons" for his decision.

President Nelson Mandela moved quickly to allay market concern by last night naming Mr Christo Liebenberg, a prominent banker, to replace Mr Keys. Mr Liebenberg, 60, retired in February as chief executive of the Nedcor banking group.

Mr Keys' efforts to reassure markets were undermined only hours later by a sharply critical statement from the powerful Congress of South African Trade Unions, which charged that by his actions yesterday the minister had put at risk the government's reconstruction and development programme, and had betrayed Mr Mandela's trust.

"This undermines the integrity of the government of national unity," the statement said.

In his official announcement released yesterday evening, Mr Keys praised President Mandela and deputy president F W de Klerk as "remarkable leaders" and said that his aim as finance minister had been to con-

tribute to an orderly transfer of power and "protect the country's economic base" for the new government.

"Through the goodness of God all these objectives have been achieved, but the road ahead is a long one for which I believe fresh resources need to be marshalled," Mr Keys said.

The announcement is the first crisis of South Africa's new political order following the inauguration of Mr Mandela in May. It was greeted by widespread shock and dismay in the local business community.

Mr Keys was respected both domestically and abroad for his prudent stewardship of the South African economy and had become a symbol of integrity and competence in the administration during a two-year term of office which began under the white-led government of Mr de Klerk.

Adding to the distress was the inept way in which the news yesterday was handled.

If Mr Keys' statement can be

taken at face value, news of the move was inadvertently leaked earlier in the day and the result was that for several hours confusion reigned.

Rumours about Mr Keys' decision began to reach the Johannesburg stock market by mid-afternoon, and bond yields climbed sharply while the financial rand, the country's main barometer of foreign sentiment, weakened by 2.5 per cent against the dollar.

Mr Mandela, who spent the afternoon accompanying French President François Mitterrand on a visit to the Johannesburg township of Soweto, initially appeared unaware of the announcement when questioned by the media. Officials at the department of finance also reacted with surprise to press enquiries.

Mr Keys had given no previous indications that he might resign and spent yesterday morning at a meeting with the visiting French delegation in Cape Town where he signed an agreement on development assistance with Mr Edmond Alphandery, French economic minister, before flying back to Pretoria and delivering his announcement.

"In the short term at least it's very bad news for the markets," said Mr Michel Bester, economist at the consulting firm Econometrix. "It creates a lot of unwelcome uncertainties."

Texaco to cut 2,500 jobs and sell half US oilfields

By Richard Tomkins in New York

US oil group Texaco is to sell half its US oilfields and cut 2,500 jobs from its worldwide workforce of 32,000 over the next year as part of a plan to increase profitability, the company announced yesterday.

The restructuring will result in a second-quarter charge to earnings of about \$16m. The charge is to cover redundancy costs, the write-down to market value of assets being sold, and a previously-announced charge of \$49.5m relating to the sale of its chemical operations.

However, Texaco said the moves would reduce overheads by some \$300m a year, about a third of which would be realised this year and the rest by the end of 1995.

Its shares rose 1 1/2% to \$61 1/2 in early trading in expectation of a boost to earnings.

Texaco's actions mirror those of other big US oil companies which have been responding to

low oil prices by rationalising US production and cutting away at management and administration functions that expanded in more prosperous times.

Texaco has more than 600 producing fields in the US. The 300 or so to be sold or traded will mostly be small ones that have been rendered marginal or unprofitable by recent declines in oil prices.

The company said US activities would be focused on the remaining oil and gas assets accounting for more than 90 per cent of US profits, cashflow, production and reserves.

Proceeds from the oilfields being sold would be redirected to growth opportunities in the US and overseas.

The other prong of Texaco's rationalisation plan is to cut production costs by consolidating offices, reducing layers of supervision and giving broader responsibility to employees at field level.

There will also be rationalisa-

tion in international production, including the sale of its heavy oil producing properties in Colombia.

Further cuts will be made in downstream operations. Costs in its US refining and marketing operations will be reduced by more than 20 per cent by stripping out layers of management and closing some offices. A similar process is under way in Europe and Latin America.

Texaco also aims to cut its shipping costs by forming a strategic alliance with outside interests. It said it was actively engaged in discussions with potential partners.

Earlier consolidations and restructurings carried out by Texaco have cut the workforce by 13 per cent in the past two years and produced annual pre-tax savings of \$54m. Last year the company made after-tax profits of \$1.1bn.

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World stock markets, Page 36



Pierre Suard: called for stock exchange inquiry into how the news of his detention was released

Alcatel head hits at probe into use of company funds

By John Riddling in Paris

Mr Pierre Suard, chairman of Alcatel Alsthom, the French telecoms and engineering group, yesterday described as unfounded an investigation into alleged irregularities and called for a stock exchange inquiry into how the news of his detention on Monday was released.

The Alcatel chairman, who was freed from police custody early yesterday morning on bail of

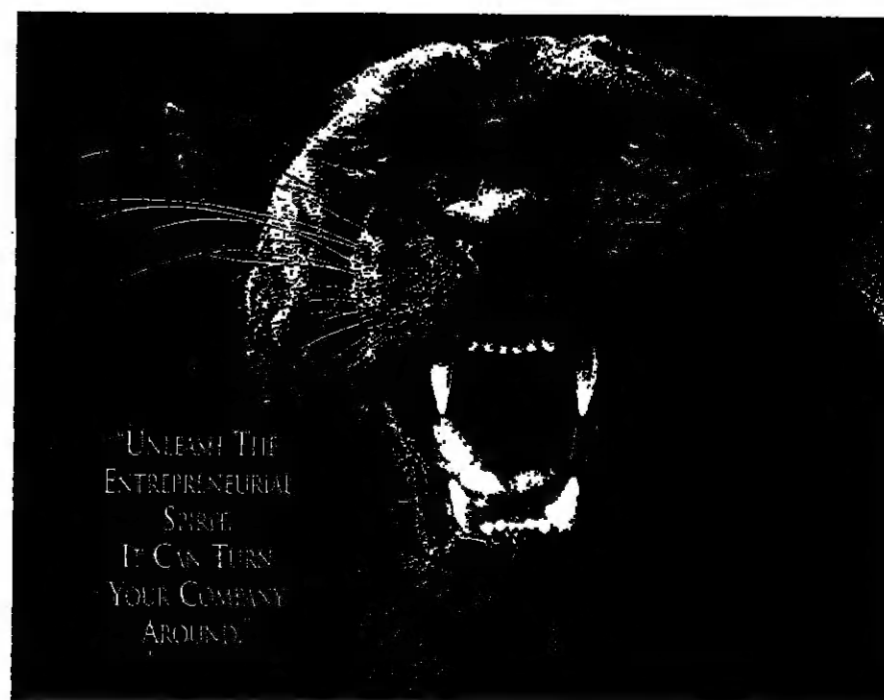
FFr1m (\$183,000), has been formally placed under investigation for alleged irregularities in payments for work at his private residence. But he received support from senior officials, including Mr Gérard Longuet, the French industry minister.

Mr Longuet said the reputation of the company and other French exporters could be damaged by the investigation and expressed confidence in the Alcatel chief, who, he said, had

put France among the leaders in the international energy, telecommunications and railway industries.

The investigation into Mr Suard is the latest blow to the French business establishment in the past few months. In May, Mr Didier Pigneau-Valenciennes, chairman of Groupe Schneider, the electrical engineering group, was arrested in Belgium and detained

Continued on Page 14



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Crisis in French press may see more casualties

By Alice Rawsthorn in Paris

There is one conspicuous absentee from the French newsmen's morning - Le Quotidien, the Paris-based daily that yesterday suspended publication after months of struggling to solve its mounting financial problems.

Mr Philippe Tesson, founder and director of Le Quotidien, explained to his readers in a mournful editorial splashed across yesterday's front page that the paper was to cease publication until an emergency meeting on July 18 at which its shareholders would decide if it had a future.

Le Quotidien is the latest casualty of the crisis in the French press, which has come under intense financial pressure during the economic recession. It has disappeared from the newsmen's at a critical time. The future of many of France's most famous newspapers is clouded by uncertainty. Liberation, the liberal-left daily, is searching for an additional FF80m (\$15m) to conclude a FF250m recapitalisation package to finance a relaunch this autumn. Le Monde, the venerable political paper, is trying to adjust to life under a new senior management team appointed several months ago.

Meanwhile, Mr Robert Herant, the enigmatic industrialist who is the most powerful figure in the French press, is under pressure from Crédit Lyonnais, his bank, to repay his debts by selling France-Sol, his loss-making evening title, and even Le Figaro, the conservative daily which is France's biggest-selling national newspaper. The Havas media group and Mr Claude Bebear, chairman of the Axa insurance empire, are mooted as possible purchasers.

The immediate cause of the industry's problems is the recession, which has taken a toll on advertising revenues (particularly on recruitment and property advertising) and on circulation. These difficulties have affected the entire French press, but national newspapers have suffered most of all due to competition from the historically strong regional press and television, which has expanded significantly since deregulation in the 1980s.

The national press saw their advertising revenue decline by 27 per cent last year, according to industry estimates, and are braced for a further 10 per cent fall this year against respective reductions of 14 per cent and 6 per cent for the regional press. They have also borne the brunt of the decline in circulation. Le Figaro is still the largest national, but its circulation has slipped from 432,000 to 380,000 over the past five years and is well below those of three regional dailies: Ouest France, Le Progrès in Lyon, and Le Parisien.

These problems have been aggravated by a stream of new launches - including *Aujourd'hui*, the national version of *Le Parisien*, and *Infolettre*, backed by Le Monde.

The new launches have also adopted tactically low cover prices of FF3.00 or FF3.50, against FF6.00 for *Liberation* and FF7.00 for *Le Monde*. Some established titles have retaliated by slashing their prices in a desperate attempt to boost sales. Yet price cutting has proved to be a dangerous tactic as *Le Quotidien* discovered. It dropped its price from FF6.00 to FF4.00 but only increased circulation from 30,000 to 40,000.

Le Quotidien's gamble has failed. It is hoping shareholders will rally round at the July 18 meeting - or that a white knight rides to its rescue.

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US-Russian push for Bosnia deal

By Our Foreign Staff

The US and Russia both said yesterday that the arms embargo against Bosnia's Muslim-led government could be lifted if it accepts a new partition plan for the republic while the Serbs reject the proposal.

"I think there is a recognition that the pressure to lift the arms embargo may become irresistible, unavoidable," said Mr Warren Christopher, US secretary of state. He was speaking at a meeting in Geneva, where he and his counterparts from Russia, Britain, France and Germany endorsed the peace plan.

Ministers from all five countries stressed that they were committed to the idea of using threats and inducements to encourage the warring parties to accept the partition plan.

However, there have been ominous signs of disagreement between the five over how far the "carrot and stick" approach should go.

Mr Andrei Kozyrev, the Russian foreign minister, said the warring parties had been given two weeks to respond to the proposal, which awards 51 per cent of Bosnia to a new Croat-Muslim federation and the remainder to the Serbs.

The Serbs currently control about 70 per cent of the republic and there was continued fighting yesterday over strategic ground in northern and central Bosnia. Mr Kozyrev



Russian foreign minister Andrei Kozyrev (left) and his German counterpart Klaus Kinkel in Geneva yesterday before the start of the ministerial meeting on the future of Bosnia.

described the proposal as the only possible alternative to continuation of the war and stressed that both sides could expect generous treatment if they gave a positive response.

The Russian minister said that if the parties did not agree to the proposal, enforcement of existing UN sanctions would be tightened. He added: "As an extreme measure, a Security Council decision on lifting the arms embargo may be unavoidable." The joint warning from the US and Russia amounted

to a determined effort to keep up a common front, although the domestic pressures in the two countries run in diametrically opposing directions.

A formal resumption of arms supplies to Bosnia, while very popular in the US Congress,

would be anathema to Russia. Mr Kozyrev warned earlier this week that western moves to penalise the Bosnian Serbs for their alleged intransigence could lead to a world war.

Senior figures on both sides have said they would rather fight on than accept the peace plan, but neither party wants to accept the international opprobrium of being the first to reject it.

Mr Alija Izetbegovic, Bosnia's president, told Muslim ambassadors in Geneva that he would not reject the peace proposal out of hand and would try to keep the peace process going.

At a meeting with ambassadors from the Organisation of the Islamic Conference, Mr Izetbegovic also said his army had managed to acquire large amounts of weapons despite the UN arms embargo on former Yugoslavia.

He did not hide his dissatisfaction with the peace plan, but one diplomat quoted him as saying: "Our answer will not be some radical No... We believe it wouldn't be wise to reject the plan fully. In other words, we believe that peace negotiations should continue."

Reviewing the military situation, Mr Izetbegovic said the Bosnian army was better off than a year ago. "We have managed, despite the blockade, to bring in some quantities of weapons and we consider it our right," he said.

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Sweden counts cost of financial uncertainty

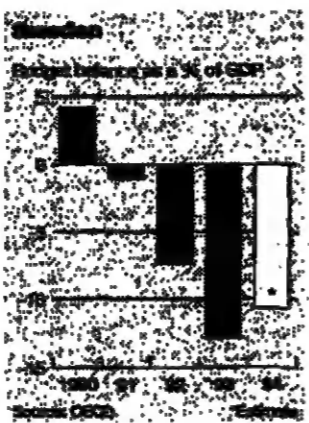
By Hugh Carnegie in Stockholm

The recent rise in interest rates, driven partly by concern over the rapid growth in state debt, will cut Sweden's projected GNP growth by up to a third next year and add SKr10bn (\$247m) to the budget deficit, Mrs Anne Wibble, the finance minister, admitted yesterday.

At a special meeting on the economic developments in the Swedish financial markets over the past few days, Mrs Wibble told Mr Göran Persson, economy spokesman for the opposition Social Democratic party, that GNP growth this year would only be marginally reduced by the interest rate rises. The economy is set to grow by 2.7 per cent after three years of contraction. But Mrs Wibble said the knock-on effects of higher interest levels could cut growth in 1995 - previously forecast to reach 3 per cent - by up to 1 per cent of GNP.

She added that the extra interest costs to the government would swell the budget deficit to SKr150bn in the current 1994-95 budget year from SKr150bn previously forecast. This will still be well below the deficit of SKr193bn, or almost 13 per cent of GNP, reached in the just-completed budget year.

However, it is likely also to increase the borrowing requirement, previously set at SKr198bn. The news helped



induce another bout of nervousness in local markets. Heavy over-subscription to a SKr6.5bn issue of government bonds, despite the announcement of a bond boycott by the insurance company Skandia, had steadied the stock market and the Swedish krona and eased interest rates on Monday.

But yields on five-year bonds rose above 10 per cent again yesterday, the stock market fell by more than 1 per cent and the krona slipped against the main world currencies.

Mr Persson described the picture given him by Mrs Wibble as serious and said it contrasted sharply with the optimistic prognosis for the economy routinely given by Mr Carl Bildt, the conservative prime minister.

He said the Social Democrats

would give more details on their plans to tackle the budget deficit before the general election on September 18. Underlining the continued weakness of the Swedish economy were figures showing unemployment had risen sharply in June.

Although the rise was expected because of the influx of school-leavers and students on to the market, the total of 14.8 per cent of the workforce unemployed or in government training schemes is some three times the level before the recession.

Graham Bowley adds from London: The Swedish government bond market fell back from its highs yesterday after a short-lived rally caused by follow-through buying after the success of Monday's auction.

"Underlying sentiment [in the bond market] remains very fragile," said Mr Jonni Kokko, international economist at SG Warburg.

"It is clear that Monday's auction went well only because the currency was extremely low and yields were so high, which attracted opportunistic money looking to take profits," he said.

Analysis said the comments by Mrs Wibble that the 1994-95 budget deficit had been revised upwards and that the forecast for economic growth had been revised downwards had unnered the market.

"It was read as a negative factor," said Mr Kokko.

Walesa in threat to resign over abortion reform

By Christopher Bobinski in Warsaw

President Lech Walesa has threatened to resign if he is forced to accept an easing of the country's strict anti-abortion laws voted through recently by parliament. The governing centre-left coalition has also come under fire from the Catholic church for postponing the ratification of the concordat, a treaty with the Vatican, which defines the church's status in Poland.

President Walesa, the father of eight, earlier this week refused to accept an easing of Poland's tight abortion laws voted in by parliament and said that he would resign rather than sign the new laws.

Under the constitution parliament now has to muster a two-thirds majority to override a presidential veto and should it be successful the president would have no choice other than to sign the new law or resign and call an election.

Earlier this month 241 deputies in the lower chamber voted in favour of liberalisation allowing women to ask for abortions in "difficult personal and economic circumstances". With 107 against and 32 abstentions this was only around 10 votes short of the two-thirds majority needed to override the veto.

The ban on abortion, except in cases where the mother's

life is endangered, came into force in March 1993 and saw the number of legal abortions cut from 11,641 in 1992 to 777. Last year the number of births fell, due to demographic and social factors, to 493,000 from 519,000 the previous year.

Should President Walesa, who is riding low in the popularity ratings, decide to call an election on the issue he would be pushed to win a majority. According to recent polls around 30 per cent of voters want to keep restrictions in place while 56 per cent were in favour of liberalisation.

Meanwhile, Cardinal Jozef Glemp, the Polish Primate, has said he is not "afraid of war" over the delay in the ratification of the concordat, Poland's treaty with the Vatican.

Last week, parliament voted to postpone the ratification until a new constitution was in place next year. The concordat, which includes the church's right to teach religion in state schools and opens tax loopholes for the clergy, is deeply unpopular with the former communist Left Democratic Alliance coalition partner, which believes it gives the church too many rights. The co-governing Polish Peasants' party is more inclined to accept the treaty.

Both agreed to postpone ratification in order to avoid increasing tension within the coalition.

Corporate France gets shivers

Probe of Alcatel chief adds to climate of anxiety in business, writes John Ridding

Mr Pierre Suard, the taciturn chairman of Alcatel Alsthom, was in unusually strident voice. The latest and most senior target in a series of corruption probes which have shaken French industry, he yesterday condemned the investigations he faces as "bizarre and defamatory" and said there was a campaign of defamation against his company, one of the world's largest engineering and telecommunications groups.

Mr Suard's tone reflects the events of the last two days. On Monday morning, the Alcatel chief was summoned to the magistrates' office in Versailles, to the west of Paris. Early yesterday, after more than 12 hours of questioning and a search of his home in the Parisian suburb of Neuilly, Mr Suard was formally placed under investigation for misuse of funds for work carried out at his private residences and released on bail of FF1m (\$110,000).

Alcatel has strongly denied any wrongdoing, describing Mr Suard's detention on Monday as "absurd". The company demanded a stock exchange investigation into the way information concerning the investigation was released and the movements in the company's share price, which lost more than 8 per cent on Monday, before bouncing back yesterday.

The turbulence surrounding Mr Suard's ordeal, however,

stretches far beyond the share price of his telecommunications and engineering company. The investigation into one of France's most respected industrialists and the head of an empire of almost 200,000 employees, has fuelled concerns among France's business establishment, already worried about the expansion of judicial investigations into French companies.

The protracted legal tangles of Mr Bernard Tapie, the left-wing entrepreneur, a incarceration for 12 days in a Brussels prison of Mr Didier Poinseu-Valencienne, chairman of Groupe Schneider, who is accused of fraud concerning two Belgian subsidiaries, and allegations of systematic corruption by French utilities companies by Mr Thierry Jean-Pierre, a prosecutor turned politician, have contributed over the past few months to a climate of anxiety surrounding corporate France.

"There is a feeling of nervousness, in which allegations can be magnified out of proportion," says one French merchant banker. "It can be very harmful for the groups involved." This view was echoed by Mr Gérard Longuet, the industry minister. "I consider it distressing that one can damage the reputation of a group of tens of thousands," he told French radio, adding that the affair could damage the image of French industry.

For some observers, there is

more to come. Mr Elie Cohen, a director of CNRS, the state research institute, believes that the flurry of investigations reflects a greater freedom on the part of law officials. "The judges now feel free to investigate big companies," he says. "They feel a greater independence from political authority and are fed up with corruption in France."

Mr Guy Denot, Mr Suard's lawyer, rejects the idea of a systematic campaign against business leaders. "There are certain judges who don't hesitate to pursue business leaders, which doesn't bother me. But we reject categorically the investigation into Mr Suard, and the spectacular methods which have been used."

According to Mr Cohen, however, business will come increasingly under examination and the political right will be just as vulnerable as the left.

Such a view is supported by the background and political connections of the Alcatel head. Unlike Mr Bernard Tapie, Mr Suard is a pillar of the industrial establishment with leanings to the political right. Despite his differences with the government over Franatome, the state-controlled nuclear power group which Mr Suard is pursuing, he is close to many senior members of the Gaullist RPR party, including Mr Edouard Balladur, the prime minister.

In 1986, Mr Balladur, then finance minister, backed Mr Suard for the chairmanship of Compagnie Générale d'Electricité, a diversified group which became Alcatel in 1987 after the merger of its telecoms activities with TTT of the US.

The case of Mr Suard is more worrying than that of Mr Poinseu-Valencienne, who has been released on bail from a Brussels prison but still faces an investigation into fraud and acting against the interests of minority shareholders at two Belgian subsidiaries.

"For many in France the problems of Mr Poinseu-Valencienne are blamed on the Belgians and their legal system," says one industry observer. "This is not the case with Mr Suard. It is a purely French affair."

That affair dates back to an investigation into two former employees of Alcatel CIT, a subsidiary of the group involved in the manufacture of telecommunications equipment. The two employees, accused of manipulating prices for France Telecom, were fired by Alcatel last year. But during their investigation, they accused senior Alcatel executives, including Mr Suard, of having work done at their homes which was paid for by the company.

In the case of Mr Suard, attention has focused on security systems installed at his Paris homes at a cost to the group of more than FF6m.

Alcatel denies any wrongdoing and says that the security devices were fitted on the advice of the government after the assassination in 1986 of Mr Georges Besse, the head of Renault, the state-owned vehicle group.

This claim is supported by Mr Alain Madelin, minister for small business, who was then the minister for industry. Mr Madelin said he was "very surprised" by the decision to take Mr Suard into custody and said that the expenses in question were not for luxury items but reflected the dangers of Mr Suard's job.

Despite the specific nature of the case, however, there are common elements with Mr Poinseu-Valencienne's ordeals at Groupe Schneider. In both cases, the chairman have been dragged into a legal tangle by subsidiaries. In both cases the companies have offered this as a defence.

"Mr Suard does not exercise any functions at Alcatel CIT," Alcatel Alsthom said, echoing the claims made by its electrical engineering rival.

The tenacity of the investigating magistrates is also a common thread. At Alcatel, as with Mr Tapie, the French investigating magistrates have demonstrated an unexpected degree of doggedness in pursuit of their inquiries. That is why the business community is feeling rattled, and why Mr Suard's counterparts will be watching the headlines with interest.

EUROPEAN NEWS DIGEST

Absentees at Milan trial

The biggest trial in Italy's long-running corruption scandal opened yesterday in Milan, in the absence of all the best known defendants, including Mr Bettino Craxi, former Socialist prime minister, and Mr Umberto Bossi, leader of the far-right Northern League. The two men, along with 30 other political and business personalities from Italy's old regime, are charged with breaking the law on the financing of political parties. Most of the defendants were witnesses in the six-month trial of Mr Sergio Cusani, a financial consultant to Ferruzzi-Montedison, the industrial group, which was alleged to have paid a 1.550bn (\$22m) bribe to political parties to ease its withdrawal from Enimont, an ill-fated chemicals joint venture with Eni, the state holding company. This second trial could last even longer and began slowly yesterday with procedural points. Much of the media interest is concentrated on Mr Craxi, who refuses to return from his villa in Tunisia, on the grounds that he is too ill. *Andrew Hall, Milan.*

Fiat faces strike in Poland

Workers at Fiat Auto in Tychy, southern Poland, have voted to strike in support of a wage claim if talks with management fail. The plant's 6,000 workers, who produce Fiat's Cinquecento model, voted 84 per cent in favour of strike action. The unions are demanding a 40 per cent pay increase. At the same time, the Solidarity union in Warsaw has threatened a boycott of Italian goods as a result of a four-week strike at the Warsaw steelworks owned by Lucchini, an Italian private steelmaker. Solidarity says the "strike will determine if Italian capital and other foreign investors are to treat our country as a terrain for ruthless exploitation or will respect our workers and consumers". The factory, taken over by the Italian company two years ago, has been occupied by its 2,000 employees and 10 of them have begun a hunger strike in an attempt to force a 30 per cent wage rise and to speed the modernisation of the plant. Lucchini says that delays over establishing title to the land have held up financing for new equipment in the 1990m project. *Christopher Robinson, Warsaw.*

Brussels airs pollution rules

European Union member states would get common air quality monitoring standards and pollution limits under a draft directive approved yesterday by the European Commission. The draft regulation, which requires approval by ministers, is part of a review and simplification of EU environmental legislation for air and water standards. It has been drawn up as a result of growing concern about air pollution in several countries, including Britain, Belgium and Greece.

Up to 14 air pollutants would be covered by the directive, ranging from sulphur and nitrogen dioxide to ground-level ozone and carbon monoxide. The first three pollutants, along with lead and hydrocarbon particles, are already covered by five EU directives, but Brussels now wants a more common and broader approach. This would consist of common reporting standards; setting pollution limits to be attained within 10-15 years; and setting provisional ceilings. When the latter are exceeded, the public should be informed and emergency measures taken. The Commission itself would eventually publish regular reports on Union-wide air quality. It envisages that pollution limits for substances already covered by EU law should be set by the end of 1996, with a deadline of the end of 1999 for the other nine chemicals being targeted. *David Gellner, Brussels. See Editorial Comment.*

Ex-central banker accused

A former director of the Bank of Spain faces a Ptas1m (\$74,000) fine following allegations of insider trading in connection with the removal last year by the Bank of Spain of the board of Banesto, the private banking group. Mr Tomás Ramón Fernández is alleged to have learned of the impending move on Banesto in discussions at the Bank of Spain on December 28 and sold Ptas1m worth of personally held shares in Banesto the day before a central bank board meeting on December 31 which he attended. That meeting decided to intervene in the banking group. Mr Fernández claims he sold his equity in Banesto to avoid a conflict of interest at the subsequent board meeting to decide on the intervention. He was sacked from the central bank's board in February after the stock market regulators began inquiries into possible insider trading. *Tom Burns, Madrid.*

Brussels warns Bonn on beef

Germany was warned yesterday by the European Commission that it would be breaking European law if it tried to ban British beef because of fears about bovine spongiform encephalopathy, or mad cow disease. The agriculture commissioner wrote to Bonn warning against unilateral action on Friday when the German parliament is due to vote on the subject. The EU is considering scientific evidence and may draw up new rules on the import of British beef. Mrs Gillian Shephard, UK agriculture secretary, welcomed the move. "It certainly vindicates our stance and it vindicates my view that the Germans would end up in court - and now they know it officially," she said in a television interview. EU scientists yesterday resumed talks on the best way of countering the threat of mad cow disease. *PA, London.*

Aid for coal and steelworkers

A total of 5,000 coalworkers and 13,000 steelworkers in Belgium, Germany and Britain will benefit from a European Commission aid package, announced yesterday by Mr Padraig Flynn, social affairs commissioner. The aid - available for such areas as retirement, unemployment, vocational training and redeployment - amounts to Ecu28m (\$29.7m). It will benefit workers who lost their jobs in the past two years. The commission also said it would add Ecu21m to a Ecu6m grant given last year for steelworkers made redundant as a result of the EU steel restructuring plan. Last year some 20,000 steelworkers in Belgium, Germany, Spain, France, the Netherlands, Portugal and Britain benefited from this programme. Mr Flynn said the aid would ensure that ex-miners and steelworkers received a high level of social protection and would also be given a helping hand into new jobs. *Emma Tucker, Brussels.*

ECONOMIC WATCH

French industrial output rises

French industrial production rose by 2.1 per cent in April, giving a year-on-year rise of 3.3 per cent. Output rose a revised 0.5 per cent in March from February. The April rise was mainly because of a 9.4 per cent increase in energy production. Manufacturing output rose 0.5 per cent, after a 5.5 per cent rise in output in the car and land transport sector. Output of semi-finished goods rose 0.5 per cent, while consumer goods fell by 0.3 per cent in the month. *Reuters, Paris.*

Swiss construction sector activity is likely to remain depressed throughout 1994 after a sharp drop in production in 1993, the Swiss Building Industry Group said. Combined turnover for its 18 members declined to SF3.42bn (\$1.64bn) in 1993 from SF3.62bn in 1992.

Spain's official currency reserves declined \$61m (\$40m) in June from May. The reserves stood at \$44.28bn as of June 30, the central bank said.

Hungary's current account deficit stood at \$1.18bn (\$780m) in the year to April, from \$909m to March.

Top planner in Venezuela offers to quit

By Joseph Mann in Caracas

The head of Venezuela's presidential planning office, Cordillan, has offered his resignation in protest at the government's failure to approve a series of free-market reforms he proposed.

Mr Luis Carlos Palacios, who joined Cordillan from the industry ministry at the end of May, had recommended President Rafael Caldera's government approve moves including:

- negotiating agreements with the International Monetary Fund and other multilateral agencies;
- increasing domestic petrol prices and subsidising public transport;
- reforming the country's onerous system of severance benefits to workers;
- higher taxes.

Free-market policies have been generally rejected by the Caldera administration since it took office in February.

Announcing his resignation, Mr Palacios said his proposals had not been accepted by the cabinet, and warned that price and exchange controls introduced on June 27 were attacking only "the symptoms of the crisis", not the causes.

Although it was not clear yesterday whether President Caldera would accept the resignation, Mr Palacios's initiative reflected the depth of the schisms within and outside the government over the imposition of the controls.

Another cabinet member, Mr Alberto Poletto, industry minister, told businessmen that the recent controls, while necessary in the short term, were "not the correct way to run the economy". He said he had never imagined that he would be industry minister when such drastic measures were taken.

Since the controls were announced, several ministers have said they will be "temporary", although no time span has been specified. Details of the price and exchange con-

trols are still being announced. The government was expected to announce the new foreign exchange programme - Venezuela's fourth this year - late last night.

Bad economic news has continued to pile up. Mr Palacios announced that Venezuela's GDP shrank by 3.8 per cent in the first quarter of 1994, compared with the equivalent period in 1993. The oil sector grew by 2.5 per cent but non-oil activities declined by 4.8 per cent. Imports for the first four months of 1994 were down 32 per cent from the equivalent period last year.

Some economists are predicting a 5 per cent decline in GDP this year, compared with a 1 per cent decline in 1993.

Meanwhile, hundreds of thousands of depositors are still waiting to claim their money from eight financial institutions closed by the government last month. Depositors protesting outside Banco Metropolitano on Monday threatened to set fire to bank offices if they were not paid.

Two prominent bankers - Mr José María Nogueroles, president of Banco Provincial, Venezuela's largest bank, and Mr Edgar Dow, head of Banco del Caribe - warned that the government's plan to "recycle" money from strong banks to weak institutions will destroy what is left of the country's banking system.

A recent IMF report, published by a Caracas daily, predicted that the Venezuelan government would have a budget deficit equivalent to nearly 17.5 per cent of GDP this year, due to official financial assistance to the banking system.

Caveme, an association of pharmaceutical companies, has also warned that the government ban on foreign exchange sales will cause shortages of medicines since many raw materials are imported.

Stocks of some processed foods have also run low due to the industry's reliance on imports.

An old man's magic

Canute James on a suspect Dominican electoral win

Mr Joaquín Balaguer, the seemingly eternal president of the Dominican Republic, has perfected the science, much to the annoyance of his political opponents, of snatching slim electoral victories from almost certain defeat.

For the third time in the last three elections in the Caribbean state, Mr Balaguer has retained office controversially, and in conditions which have encouraged losing candidates to claim that he did so by less than fair means.

While the country's electoral board is still reviewing the preliminary results of the presidential and congressional election held in May, Mr Balaguer is preparing to be inaugurated in August for his seventh term. But there must be, even in the president's own party, continuing questions about the propriety of the result.

In an electorate of 3.3m, Mr Balaguer's conservative Social Christian Reform party received about 30,000 votes more than the social democratic Dominican Revolutionary party of Mr José Francisco Peña Gómez. The latter, for whom opinion polls had forecast a win, has claimed there were widespread irregularities.

Most of the estimated 200,000 prospective electors who were unable to cast their ballots were his party's supporters. Foreign observers concurred. The US National Democratic Institute for International Affairs noted "significant problems and irregularities in the electoral process."

It said that about 200,000 people did not get voting cards on time and concluded: "A disproportionate number of the disenfranchisement cases, which members of the delegation noted, appeared to affect opposition parties."

Mr Balaguer, aged 87 and



Balaguer is preparing for a seventh presidential term. Philip Wolcott

blind, dismissed the charges and claimed victory, saying the election had been clean. Officials of his party agreed that all had not gone well with the election but denied that fraud had brought the result into question. They allowed that some inefficiency had occurred but said this would not have altered the result despite the narrow victory of the Social Christian party.

Mr Peña Gómez is unlikely to succeed in his plan to have foreign governments press Mr Balaguer into holding new, internationally supervised elections.

If, as expected, his victory is confirmed by the board, Mr Balaguer will have to deal immediately with two main issues. One is relations with Haiti, with which the Dominican Republic shares the island of Hispaniola. The recent tightening of international economic sanctions on Haiti, to prize out the military rulers and allow the return of President Jean-Bertrand Aristide from exile, has forced Mr Balaguer into an awkward position.

The Dominican leader is far from enthusiastic about the return of Father Aristide, who once described as "slavery" the conditions of Haitian migrant workers in the Dominican Republic.

Mr Balaguer has publicly opposed the tightening of the embargo on Haiti. Amid reports of suggestions that the Dominican Republic

could lose US trade preferences, he has moved to curb the smuggling across the border with Haiti which is violating the economic embargo and has been facilitated by the Dominican military.

The president's second big problem will be the country's economy. Some main pillars - sugar, gold and nickel - have been hard hit by high production costs and low market prices. The trade deficit is widening but the pressure has been relieved by growing earnings from tourism. The central bank was forced last month to intervene to stabilise the currency, which slipped after two years of relative stability.

Mr Balaguer promises nothing new for the economy, which has been growing moderately in the past three years: "We should not embark on an adventure and should continue our cautious policy."

There must be doubt over how long he will remain in office. Few Dominicans, including Social Christian party functionaries, expect the president to stand for office again in 1998 when he would be 91. So there is much attention on Mr Jacinto Peynado, a 53-year-old businessman, the grandson of a former president and in line to be Mr Balaguer's new vice-president.

Mr Peynado's economic philosophy is less conservative than that of Mr Balaguer.

US sends Marines to Haiti waters

By Jeremy Kahn in Washington

Four US naval amphibious assault ships will sail for Haiti today, carrying 2,000 US Marines, the defence department announced yesterday.

The ships are being sent to help in any evacuation of US citizens and "designated foreign individuals" from Haiti, the department said. The amphibious assault group will join eight US warships patrolling the waters off the Caribbean nation to enforce UN sanctions against Haiti's military regime.

A ninth ship - the helicopter-carrier *Wasp* - is also in the area for training exercises with 650 Marines aboard.

A naval spokesman refused to comment on whether the ships could be used to land troops on Haitian soil.

President Bill Clinton has refused to rule out the possibility of an invasion to reinstate President Jean-Bertrand Aristide, ousted after a military coup in September 1991.

After Mr Clinton's decision to end all commercial air traffic between the US and Haiti, refugees have fled the nation in record numbers, often putting to sea in overcrowded and unsafe open vessels in the hope of political asylum in the US. The flood of asylum-seekers - who have left Haiti at rates sometimes reaching 1,000 per day - has forced the Clinton administration to reopen its refugee centre at Guantánamo Bay in south-eastern Cuba.

The refugees - those picked at sea up by the US Coast Guard - are also being brought to naval ships serving in the Caribbean as floating processing centres, and to refugee camps on the British-owned Turks and Caicos Islands. Under current US policy, refugees are being given brief asylum hearings and those not given asylum are returned to Haiti.

Panama said yesterday it would be willing to accept up to 10,000 refugees.

Big Argentine protest today to protect jobs

By John Barham in Buenos Aires

Argentine President Carlos Menem has promised strict security measures for a demonstration today by trade unions and opposition parties in the centre of the capital, Buenos Aires.

Organisers say this will be the largest demonstration against Mr Menem's free market economic policies since he took office in mid-1989. They hope to mobilise more than 40,000 people.

Mr Menem, concerned there could be violence, has ordered 6,000 police, backed by helicopters and riot police, to patrol the city centre.

The demonstration will occur in the context of rising industrial unrest, fuelled by stagnant wages and worsening unemployment. Discontent is also increasing in the provinces, where most local economies are in deep recession.

The march today is to be led by a new breed of union bosses, mainly leaders of public sector workers from the provinces fighting to protect jobs under threatened local government reforms.

A younger generation of more aggressive union leaders is outflanking more cautious union bosses prominent in the old guard of the Peronist movement which also spawned Mr Menem. Branch members of the powerful UOM metalworkers' union have swept aside their leaders' remonstrations and called a series of one-day strikes for this month to press for a 30 per cent wage increase.

Previous anti-government protests and strikes in Argentina have failed because of apathy and skilful counters by Mr Menem's Peronist government, which has co-opted labour leaders while reducing traditional union privileges.

Brazil's inflation over 50% a month

By Angus Foster in São Paulo

Brazilian inflation accelerated sharply in June before the launch of the country's new currency, with the monthly rate of more than 50 per cent, technically placing Brazil in hyperinflation.

Prices increased by 50.75 per cent in June, up from a monthly 45.1 per cent in May, according to the FIPF institute. However, many prices were raised ahead of the introduction of the new currency, the Real, last Friday.

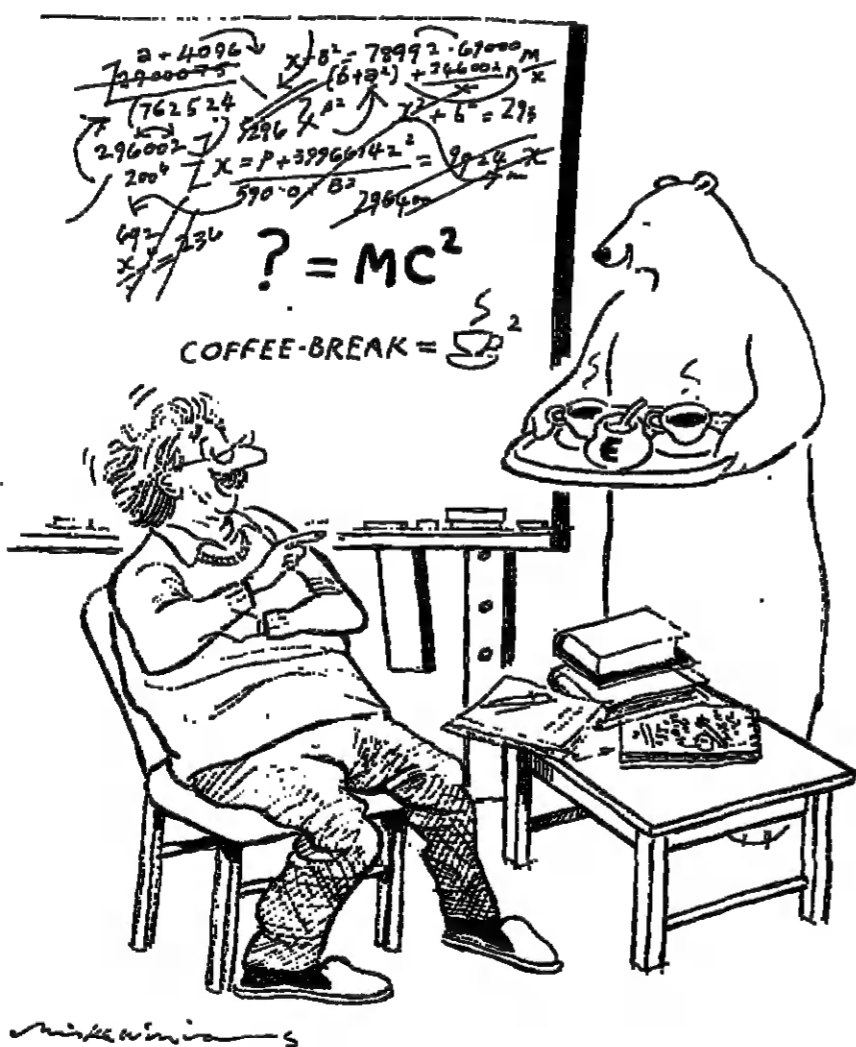
Inflation in the Real is expected to fall sharply this month, helped by parity to the US dollar. But the June increase will add to pressure on the government to force suppliers to reduce prices in the Real.

The acceleration in inflation in the last few weeks has also

fuelled claims by workers that their purchasing power was undermined before the new currency was introduced.

Yesterday, petroleum workers' unions at the state-owned oil and gas company Petrobras claimed six of its refineries had been affected by strike action. The unions are demanding compensation for what they claim is a 50 per cent loss in buying power because of inflation and the new currency. Petrobras claimed that production was not affected at any of the six refineries.

Uncertainty over the new currency also led to a near 2.5 per cent fall in early trading on the São Paulo stock market. Investors are concerned the government may move to block foreign investors tempted by Brazil's high interest rates.



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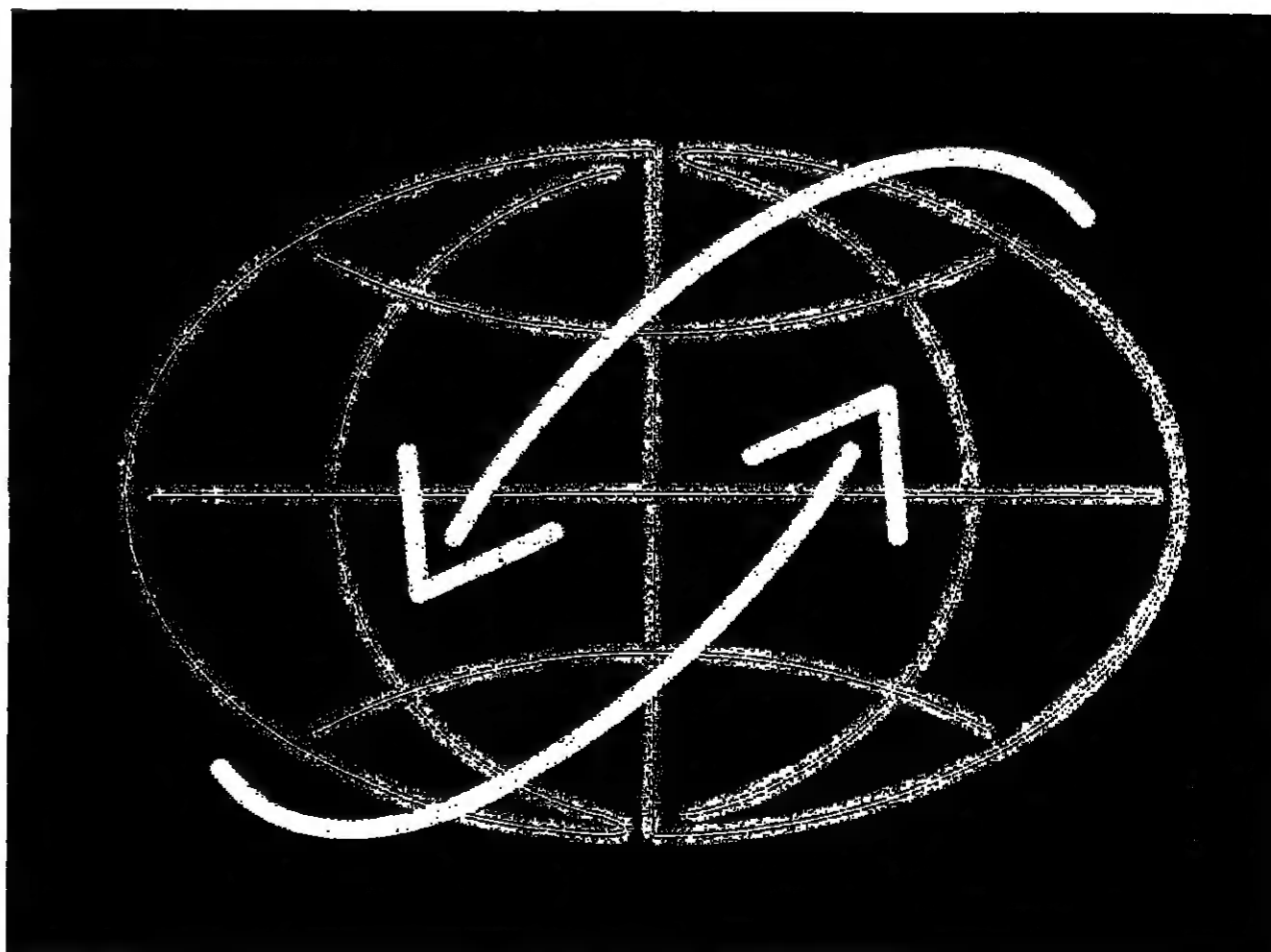
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NEWS: THE AMERICAS

Baby Bells set for contest with judge

By Martin Dickson
in New York

Four of America's "Baby Bell" local telephone companies are expected to launch a legal battle as early as today aimed at eliminating the immense powers wielded over them by a US district judge for the past decade.

The case could play an important role in breaking down the complex legal and regulatory framework which prevents the Baby Bells from competing in the long-distance telecommunications market, or making telephone equipment.

The Bell companies are expected to call on Judge Harold Greene to give up the oversight of the US telecommunications industry he has exercised since the early 1980s, when he presided over the court-ordered break-up of American Telephone & Telegraph on anti-trust grounds.

AT&T's local operations were spun off into seven separate Baby Bells. Because each of these enjoyed regional monopolies, they were forbidden from entering the long-distance market, equipment manufacturing and information services (though the latter ban was lifted in 1991). AT&T retained its long-distance operations, though these were opened to full competition.

Since then, Judge Greene has presided over the so-called consent decree which established this framework, and both AT&T and the Baby Bells must seek his permission for substantial changes in operating practices. Judge Greene has tended to interpret the consent decree conservatively and the telephone companies have grown frustrated at his court's long backlog of requests for waivers.

Many industry observers

argue that to vest such powers in a solitary judge, committed to a framework 10 years old, is seriously to impede the evolution of one of the world's fastest changing industrial sectors.

The four companies pursuing legal action - Bell Atlantic, BellSouth, Nynex and Southwestern Bell - are expected to argue that the consent decree has outlived its usefulness.

The House of Representatives last week passed a telecommunications bill which would do away with the consent decree and eventually allow the Baby Bells into the long-distance market. But the legislation faces a tough fight in the Senate and the Baby Bells are evidently launching their court battle as a precautionary measure.

Judge Greene seems likely to reject the call for him to relinquish his powers. If so, the four are likely to take the battle to the Supreme Court.

US allows more flexible transfer pricing

By Ken Warn in Washington

The US Treasury yesterday unveiled tax rules to allow companies greater flexibility in determining the transfer prices of cross-border transactions with foreign subsidiaries or parents.

Transfer pricing, in which companies assign prices to internal transactions for taxation purposes, has become a highly contentious part of

the international tax arena.

Foreign companies operating in the US have often been accused of manipulating transfer prices in order to reduce their tax liability. In the 1982 US election campaign, Mr Bill Clinton hit at foreign companies for paying too little tax.

The new rules, which formalise and extend temporary regulations introduced last year, give companies more leeway over the methods they use to

determine their transfer prices.

However, the Internal Revenue Service will be able to impose financial penalties of 20 to 40 per cent where it has determined that tax has been underpaid due to transfer pricing adjustments.

"Although the rules are broader in application and based on more general principles, they also give the IRS the tools to go after companies trying to cheat," a US Treasury

official said yesterday.

The benchmark for determining accurate transfer prices is the arm's-length principle, which asks what a similar commercial transaction between unrelated companies would cost.

The final regulations are "intended to maximise the extent to which relevant information may be taken into account in evaluating a taxpayer's results under the arm's-

length standard," the Treasury says. It does not believe the changes are likely to result in any significant increases in revenue. However, companies which were not complying under the old system could well find themselves paying more, an official said.

Officials denied that giving companies and the IRS greater flexibility in determining a fair transfer price was likely to lead to more litigation.

Clinton to press for troops pullout from Baltics

By George Graham
in Washington

President Bill Clinton's meeting in Riga today with the presidents of Latvia, Lithuania and Estonia marks a renewed effort by the US to complete agreements for the withdrawal of Russian troops from the three Baltic countries by August 31.

US officials say the visit to the Latvian capital - the first by a US president to a Baltic country - is a signal of the Clinton administration's commitment to the three countries. Their

annexation by the Soviet Union was never recognised by the US. "This trip is meant to say: we support the independence of the Baltic countries and their future is important to the US," a senior administration official said.

Russian troops have already withdrawn from Lithuania and an agreement was signed in April for a withdrawal from Latvia. "What is missing in this equation is an agreement between Russia and Estonia," a US official said.

Negotiations are under way this week in Geneva and Mr Clinton is expected to use his meeting later in the week with President Boris Yeltsin of Russia at the Group of Seven industrialised nations' summit in Naples to press for an agreement. Issues unresolved include the status of retired Russian military personnel who have settled in Estonia; the status of a naval research base; and the availability of housing for Russian officers returning from Estonia.

"I think it's fair to say our view is

that it takes two to tango; both sides are responsible for successful negotiations. We think there are issues that both sides can compromise on," the administration official said.

Mr Clinton is also expected to raise US concerns about the restrictive citizenship law recently passed by the Latvian parliament which raises anxieties in Moscow over the status of ethnic Russians. The law has been rejected by Latvia's president.

Mr Clinton is due to fly to Warsaw before going to Naples.

WORLD CUP

Surreal enough for Magritte? Almost certainly

Jurek Martin finds the tournament has its fair share of the unexpected



which what passes for normality in soccer has been transformed into something of an illusion.

One, a team from the US, most of whose players are obscure - to put it mildly - and whose goalkeeper is more intent on an acting career, comes within 15 minutes of forcing Brazil into extra time. This was in no script written outside Hollywood.

Of course, the US were out-played for much of the game by a team which, for half of it, were a man short. The Americans only managed one clear chance and no actual shot on goal, but nor did the Brazilians, Romario apart, threaten annihilation; and the tension of the moment showed on every Brazilian player's face - so much so that one of them, Leonardo, gave in to his nerves by planting his elbow in an American's face.

Two, a game in Giants Stadium between Saudi Arabia and Morocco drew a crowd of 72,000. Think about it: two Arab teams playing in New Jersey, no less, and selling out the place.

It would only have been understandable had it been played in Casablanca or Riyadh, with Bogart as referee and O'Toole and Omar Sharif working the lines. Equally amazing, Russia against Cameroon

drew an even bigger crowd.

Three, the poor Colombian who scores an own goal against the US gets murdered on his return home. Soccer may generate war, pestilence, famine and rioting, but players do not get knocked off by fate's fust, even in Medellin (Call, maybe, but not Medellin, now that its narcotics kingpin, Pablo Escobar - no relation to the unfortunate Andres - is no more).

Four, Diego Maradona, captain of Argentina, is not apparently in disgrace for having failed a drugs test, thus fatally weakening a team that had begun to appear a favourite. There he was out in California doing TV reporting on the Argentina-Romania game and weeping on air as his team went down.

Fallen idols are treated differently here. As Tony Kornheiser put it in the Washington Post: "Do you see Doc Gooden (the Mets pitcher suspended last week for narcotics abuse) going to Cincinnati to sit in the booth with Ralph Kiner? Does this guy have no shame at all?"

Americans can be remarkably tolerant of those they have been reared to revere. "Say it ain't so, Joe," they all said after Shoeless Joe Jackson was charged with accepting bribes in the 1919 World Series. More recently, O J Simpson, the former gridiron great, lost no jobs after pleading guilty to wife-beating (a murder rap, however, has proved another matter).

Five, the clog-laden Dutch are

now rated a fast team by virtue of extinguishing Ireland. Even Jack Charlton, Ireland's manager, said so, so it must be true, though he might have been decently disguising the shortcomings of his own side.

So shocked were crowds in The Hague - not exactly a city where passions normally run high - that they went on a looting spree instead of tending their tulips.

Six, and pending the outcome of the Nigeria-Italy and the Mexico-Bulgaria games yesterday, Europe is in the ascendant, with five out of the six sides through to the quarter-finals. This was not supposed to be. No European side has ever won the World Cup on non-European soil. It can only reflect the mysterious chemistry linking European political disarray to performance on the soccer field.

All the European sides, Germany excepted, were presumed to be cannon fodder for Brazil, Argentina and Colombia, and even for Nigeria. Now Romania, where chicken feet were a staple diet not so long ago, look as likely to succeed as anybody. Ceausescu and his Securitate must be turning in their graves.

Natural law may yet reassert itself if Brazil takes it all, but it might be pointed out that even Brazil have managed only two goals in their last two matches. If anything, they are living on that most unnatural of Brazilian characteristics - defence.

Exactly what Americans make of all this is anybody's guess. Yesterday, the Tuesday morning quarter-backs (normally they are the Monday morning quarter-backs, but Monday was a holiday) took pride in the US team but had their doubts that anything as bizarre as soccer could take deep root here.

"Was this the beginning of an era for American soccer - or the end of a delightful interlude?" asked George Vecsey in the New York Times. "Will the US even be back in the next World Cup in four years in France?"

The usually irreverent Kornheiser even turned semi-serious. "As much as I've come to like the World Cup, I'm glad we don't treat it with the same fervour as other nations. All this talk about how 'soccer is a passion' and 'soccer is a religion' makes me nervous."

He also found it pretentious. "One man I know, who has been salivating about the World Cup for years while attacking American sports as loutish, informed me that 'every play, every rush, downfield is a short story in itself.' I'm watching 22 guys with hairy legs kick a ball around and he's seeing Carlos Castaneda in a crossing pass."

In this Cup, René Magritte would be a more apt point of reference. There is a hole in the middle of the body of soccer through which bright blue skies can be seen. That must, somehow, be good. But explaining it is no joke.



US defender Alex Lalas consoles goalkeeper Tony Meola after the hosts' 1-0 defeat by Brazil on Monday

Italians hold off Nigeria for extra-time victory

Italy beat Nigeria 2-1 yesterday in the first game of the World Cup finals to go to extra time, setting up a quarter-final clash with Spain on Saturday.

Ammunite scored following an error by Italian captain Maldini to give Nigeria a 1-0 half-time lead against the run of play.

Italy headed Nigeria's goal in the second half but were kept at bay by Nigeria's powerful, physical defence and their own lack of punch.

The Italians, reduced to 10 men after Zola was sent off, equalised in the last minute of regular time.

Roberto Baggio broke the deadlock from the penalty spot in the 12th minute of extra time after Ekeke had brought down Italian defender Benarrivo.

While Italian fans held their breath, Baggio stayed cool and planted his penalty to the right of goalkeeper Rufai.

Two minutes later Yekini might have handed Nigeria level again. However, with the Italian defence all at sea, he could not fasten on to a proper shot.

Romania uplifted by win over Argentina

The Romanians are looking for more World Cup scalps. And they say they have prepared themselves carefully enough to go further. In the competition, following their 3-0 win against Argentina that eliminated the two-time world champions.

The victory put Romania into the World Cup quarter-finals for the first time and triggered intense excitement in Romania and in the US. The match was greeted as the high point of the World Cup finals so far.

"This was our greatest performance ever," said Ilie Dumitrescu, who scored two goals against Argentina. "We eliminated one of the best teams in the world."

In Bucharest, tens of thousands of people appeared on the streets in celebrations reminiscent of those in the winter of 1989, after the downfall of Romania's Communist regime.

Head coach Anghel Iordnescu said that the win against Argentina was Romania's

"greatest joy since the revolution."

Four years ago Romania lost to Ireland in the World Cup second round on penalty kicks.

Against Sweden in the next round, the Romanians will be even stronger with the return of striker Florin Raducioiu, who had to sit out the game against Argentina because of suspension.

Romania were seen as underdogs before the tournament started. But they have won three of their games (Colombia, the US and Argentina). Only Switzerland (now eliminated) have beaten them - 4-1 in the first round.

Brazil, who did not over-impress against the US on Monday, winning only 1-0, will have their work cut out if they bump into the Romanians next week.

Injury fears for key Swedish players

Swedish mid-fielder and captain Jonas Thern will miss at least four days of practice because of a sore

knee, but is expected to play in Sunday's quarter-final against Romania.

"I've played so much and I don't need more practice," said Thern, who left Sunday's second-round game against Saudi Arabia in the 69th minute with a sore right knee.

Sweden defeated the Saudis 3-1 and have yet to lose a game. Except for a weak first half in their June 19 opener against Cameroon (2-2), Thern has been the key mid-field player for Sweden.

Central defender Joachim Bjorklund, who left Sunday's game early in the second half complaining about pain in his thighs, is also likely to miss the next few days' training in Oakland, California.

The Swedes are studying videos of the Romanians. They are impressed by the Romanians' defensive play, and by Hagl, whom they rate the player of the tournament so far.

No homecoming party for Ireland

There will be no great homecoming for Ireland's World Cup team. Four years ago, more than 200,000 people packed Dublin's streets to welcome the team when they returned from the World Cup in Italy after reaching the quarter-finals.

But plans for a similar open-air party were canceled yesterday in the wake of Ireland's 2-4 loss to Holland. Up to 500,000 fans had been expected at Phoenix Park to greet the team tomorrow, but organisers cancelled the reception when they learned that manager Jack Charlton and half the players would not be returning this week.

Charlton is staying in the US to work as a television commentator, while up to a dozen players are taking holidays. The Irish broadcasting service RTE was swamped with calls from fans critical of Charlton's decision to ignore the homecoming.

Results

Nigeria 1 Italy 2 (after extra time)

Quarter-finals
Saturday, July 9
Match A: Spain vs Italy
Boston 5pm
Match B: Holland vs Brazil
Dallas 8.30pm

Sunday, July 10
Match C: Germany vs winner of Mexico-Bulgaria, New Jersey 5pm
Match D: Romania vs Sweden, San Francisco 8.30pm

Semi-finals
Wednesday, July 13
Winner match C vs Winner match A, New Jersey 5pm
Winner match D vs Winner match B, Los Angeles, 12.30am Thurs

Final
Sunday, July 17
Los Angeles 8.30pm

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Brazil isn't the only team to have impressed the 7,000 journalists at the World Cup.

Keys, master of inspired commonsense

By Patti Waldmeir

Mr Derek Keys taught South Africa to believe in itself. Yesterday he jeopardised that newfound confidence by announcing he will resign as the country's finance minister, from October.

Less than a month ago, Mr Keys stood before international investors at a meeting of the World Economic Forum in Cape Town, displaying his "good news tie", a garish neck-piece whose multi-coloured stripes clashed painfully with the bold striping of his shirt. He asked them to believe in South Africa, to trust its intention to maintain strict fiscal and financial discipline.

To the extent they did so, it was because the presence of Mr Keys in government gave them confidence and reassurance. Now this consummate psychological manipulator is leaving government; it is hard to see another man taking his place.

Other men will have the technical skills to do so, perhaps a solid record in private-sector business, integrity, even political acumen. But they will not have his powerful personality, nor be able to draw on his carefully nurtured contacts with key figures in the African National Congress; they will not command the same respect in the government of national unity, or outside it. His loss is a serious blow to the new government's credibility, at home and abroad.

When he said, only a month ago, "We've spent the past four years proving the sceptics wrong and we are quite happy to go on doing so," no one suspected he would not be there to carry on that struggle. A man of strong faith and devotion to his wife Silma, Mr Keys has often made clear she would prefer him to leave politics, and that he likes to please her whenever possible. But once he accepted the post of finance minister in Mr Nelson Mandela's government after having served in that role under Mr

P.W. de Klerk, no one expected him to bow out so soon. He seemed to be enjoying his new role, and his relations with Mr Alec Erwin, his deputy, and Mr Jay Naidoo, reconstruction and development minister, both socialists and former radicals from Mr Mandela's African National Congress, were excellent.

The only consolation comes from the fact that Mr Keys' departure appears to be genuinely motivated by personal reasons, rather than irreconcilable policy differences with Mr Mandela.

Mr Keys' achievements of the past two years are substantial: reducing the budget deficit, keeping to budget targets, constraining the rise in government spending, restoring confidence. But most of all, he has ensured that, as he put it last week, "there is a real understanding that the pot is only a certain size; that the RDP (reconstruction and development programme) has got to come out of it, and that if the pot looks as though it's being emptied too much, it's going to have repercussions". The budget presented to parliament a fortnight ago marks the acceptance of those realities by the government of national unity.

Throughout the country's turbulent transition to democracy, he has been relentless in



Derek Keys: a symbol of integrity and competence in the administration

his optimism, even in the most violent days leading up to the April elections. He has mastered the art of making everything he says sound simple and obvious. He has used common sense and the commercial acumen developed over 30 years as one of South Africa's top businessmen, to induce sanity among the country's fractious politicians.

At a time in 1992 when they had sunk to new depths of squabbling, Mr Keys told them a few choice economic truths: that unless they moved quickly, South Africa would

not be worth fighting over. The politicians listened, and democracy talks began in earnest.

"In the minister of the obvious," he once told the Financial Times, "I see myself as someone who jollies people to do what common sense dictates they ought to do." He saw what had to be done, and had the political skill to persuade the ANC, the black trade unions, the business community and the cabinet that they had seen it first themselves.

His force comes from the strength of a truly uncluttered brain: clear like his "desk", the round conference table which

stands empty at one end of the room; simple like his rhetoric. Perhaps this is genuine, perhaps a trick of personality. Either way, it worked. Mr Keys' personality was an important force driving economic recovery which should see growth hit 2.5 per cent this year, after a four-year recession.

His campaign has been overwhelmingly psychological. Investors must believe in investing, bureaucrats must believe in giving their best efforts by cutting waste and inefficiency, the ANC must believe in the virtues of a free market, the unions must believe they have a stake in growth, and all of them must believe in Derek Keys.

"Government is in a typically feminine role," he told the FT in a 1993 interview. It is "trying to create a situation attractive enough to stimulate some initiative from another party (the private investor). Once you commit yourself to relying on the private sector because only it can produce the investment directions with adequate yields, then you put yourself in this situation. How can I be more attractive? That's the heart of the problem." Now the problem is somebody else's.

International investor confidence seen to suffer Business dismayed as markets get jittery

By Our Markets Staff

Dismay was the common response among South African businessmen yesterday to the imminent departure as finance minister of Mr Derek Keys, whom they credit with having put the country's finances on a sounder footing during two years in office which spanned the transition to democracy.

Bond, equity and currency markets all reacted negatively in an afternoon of rumour-laden turmoil before his confirmation last night that he was stepping down.

The unexpected resignation has struck a blow to the growing confidence of international investors. In South Africa, which was increasingly being tipped as the next fashionable "emerging" market.

Mr Cedric Savage, president of the South African Chamber of Business, said it came as a surprise and shock to business but Mr Keys felt obliged to resign so soon after the inauguration in May of the government of national unity. "Financial markets and business confidence are likely to react negatively to this development," he said.

Although the overall stock market dropped only three points on the day to close at 3,451, bond yields climbed above 15 per cent after starting the day at 14.5 per cent, and the financial rand, the country's investment currency which is regarded as the best barometer of international investor sentiment, fell 12.5 cents from R4.72 to the dollar in London to R4.845.

The news is a particular blow for the stockbroking community, which has been aggressively marketing South African shares abroad in the wake of Mr Keys' recent budget, which was widely praised for prudence and commitment to cutting the budget deficit.

"There's no question it will be viewed as a major negative, especially overseas, where Keys was known and trusted," said another broker. "He was a stabilising and reassuring figure and his departure will

cost South Africa dearly."

The resignation could also spell trouble for the first global offering of convertible bonds for a South African company. Robert Fleming is currently in the process of "book-building" - sounding out investor interest - in a \$300m to \$500m offering for Liberty Life, the country's fourth largest company. The deal is due to be priced on Tuesday.

"I do want clarity before I commit to this deal," said one London-based international fund manager. "Part of the comfort with South Africa was that the people in charge of the economy were running a tight ship."

Mr Ian Hannam, the banker in charge of the offering at Robert Fleming, admitted the news had caused concern but said: "no investors have dropped out as a result. The most important thing is who will replace Mr Keys."

Businessmen were inclined to accept at face value Mr Keys' statement that he was leaving for unspecified personal reasons. Mr Donald Gordon, chairman of Liberty Life and Transatlantic, and one of Mr Keys' oldest friends, commented: "I would believe they are genuine reasons. He would not put his name to anything like this unless it was true."

Mr Conrad Strauss, chairman of the Standard Bank group, South Africa's largest banking group by market capitalisation, was the name most frequently mentioned yesterday as a possible successor to Mr Keys. Associates of Mr Strauss said he had been unaware of the news before it became public and it was untrue that he had been approached as a successor.

Mr Gordon did add, however, that "it was not impossible" that Mr Strauss could succeed Mr Keys. He said Mr Strauss would "probably be my first choice". The issue is close to home for Mr Gordon as Mr Strauss has often been mooted as a likely successor to him at Liberty Life. The two groups have close ties.

Rumours that he will be

replaced by Mr Strauss helped reassure traders that the resignation may not indicate a split in policy between Mr Keys and the government. "If he is genuinely leaving for personal reasons, the market will calm down again," said one banker.

Business leaders also reacted with dismay to the news and expressed worries it might have serious longer term repercussions in the next budget, where Mr Keys's restraining influence on spending will be missed. "It's the end of the honeymoon," said one disconsolate banker.

"We're all quite amazed," observed Mr Peter Davey of brokers Frankel Pollak Vinderne, "It's all so sudden, everything seemed to be going so well, particularly with the economic team of Keys and [deputy finance minister Alec] Erwin."

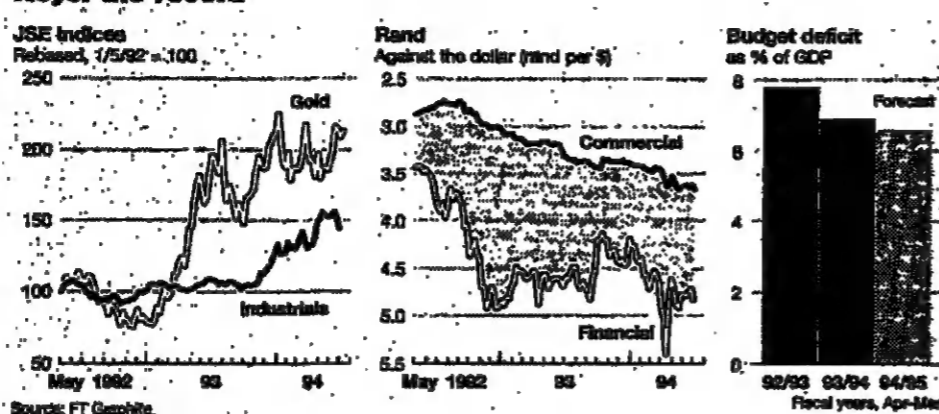
The bond market felt the blow particularly keenly, as Mr Key's resignation prompted fears that the government's control over public expenditure would now be loosened.

Investors feared that strict controls on public spending in Mr Key's June budget would now not be implemented and that the government would be tempted to meet its many new spending commitments by increasing its borrowing.

"Keys was seen as a tough negotiator who could stand up to the many compelling claims on the government's resources," said Mr Graham Bell, head of bond research at Baring Securities in London. "The markets were also unmoved by the manner of the resignation, which was basically bad PR."

"Mr Keys had credibility in the eyes of the financial markets," said Mr Wendy Ntshong, senior economist at I&J International. "His resignation will dash investors' confidence in South Africa as an emerging market in which they can invest strongly," she said. Reporting by Mark Suman in Johannesburg and Philip Gawth, Tracy Corrigan, Graham Bowley and Michael Morgan in London

Keys: the record



Kevlar; Nomex; Zemdriain: Helping move Europe into the 21st century.

Transportation links between countries are improving as European integration comes closer to reality. New air connections, highway systems and high-speed trains are reducing travelling times between cities. Many of these modes of transport are being enhanced by products from DuPont.

For example, often without even knowing it, millions of car drivers throughout Europe enjoy the benefits of DuPont KEVLAR para-aramid fibre. This product is an extremely light, heat-resistant fibre which does not corrode, is extremely strong and is non-magnetic. KEVLAR is being increasingly used for diverse applications in cars; from the reinforcement of asbestos-free clutch, brake linings and cylinder head gaskets to noses and tyres.

Components reinforced with KEVLAR enhance safety and reliability.

KEVLAR is also being used to strengthen V-belts for auxiliary systems such as cooling system pumps, blower fans and hydraulic



This lightweight bridge was repaid of corrosion-proof KEVLAR.

pumps, as well as automatic transmissions and industrial gaskets. Here the decisive factors for the use of KEVLAR are its superior flexibility, its heat, friction, tear and oil resistance, as well as its good shape retention.

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KEVLAR has also demonstrated its strength in a completely different field. An innovative bridge in the Scottish town of Aberfeldy is constructed entirely from lightweight materials. The 63-metre long bridge platform is suspended from 17.5 metre high piers by cables of KEVLAR. The DuPont

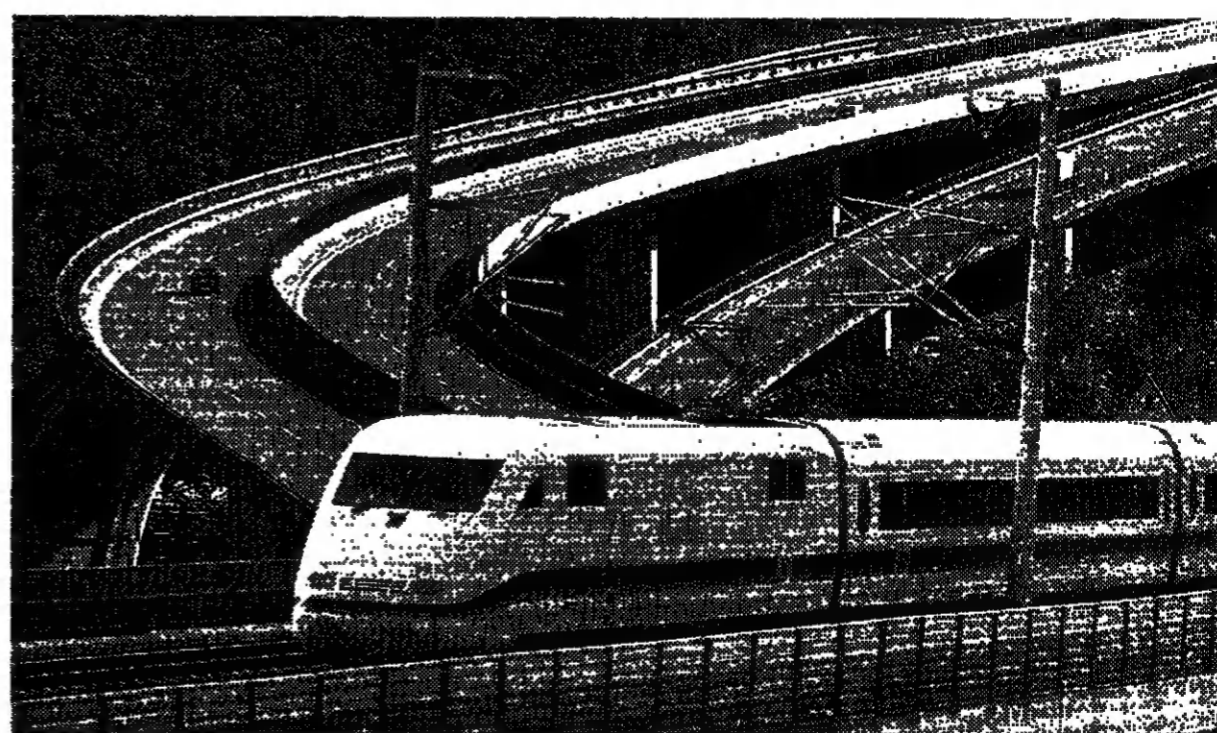


NOMEX contributes to weight reduction and increased stability of the Airbus A321

aramid fibre was the natural choice as it is five times as strong as steel for equal weight and does not corrode. In its paper form, NOMEX, another aramid fibre from DuPont, is helping to bring pioneering technologies to commercial reality. Take the example of high speed trains. Insulating paper made of NOMEX is an important factor behind the impressive performance of the German ICE and the French TGV trains. Because of its exceptional thermal resistance, NOMEX provides highly effective insulation material for the electrical transformers in these trains, which reach speeds in excess of 250 km/h.

NOMEX makes high-speed trains lighter and more stable.

And because NOMEX is light (only 0.9 g/cc), it has been possible to reduce the weight of the ICE's two transformers by 270 kg each, cutting



the traction unit's total weight by over half a ton. The celebrated designers Pininfarina and Fiat exploited another advantage of NOMEX in the design of the Italian high-speed trains ETR 500 and Pendolino; the fibre's combination of low weight and high strength. Honeycomb structures made from NOMEX paper are very light yet extremely rigid. Similar constructions have already proven their worth in aircraft and marine applications.

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Arafat looks to future capital in Jerusalem

By Julian Ozanne in Jericho

Mr Yasser Arafat flew into Jericho on an Egyptian helicopter yesterday for an emotional reunion with the West Bank after 27 years' exile, and to press his demands for a speedy expansion of Palestinian self-rule beyond Gaza-Jericho.

In a whirlwind visit to the capital of Palestinian self-rule, Mr Arafat, still crackling from too many speeches during his historic four-day homecoming, blew kisses to an excited crowd, vowed to build a Palestinian state with Jerusalem as its capital, swore in the first Palestinian self-government and held a series of meetings with dignitaries and well-wishers.

Mr Nabil Shaath, senior Palestinian negotiator, said Israel, which has hailed Mr Arafat's visit as a "triumph of common sense and pragmatism", had upgraded its delegation for talks in Paris today to cover redeployment of Israeli troops in the West Bank and an early transfer of authority.

Mr Arafat has asked Israel to redeploy its troops out of Palestinian population centres in the West Bank,

the second major phase of the peace process, by August to allow Palestinian elections in mid-October.

Mr Yitzhak Rabin, who will meet Mr Arafat in Paris for the first high-level negotiations since the signing in May of the Gaza-Jericho accord, vowed to strengthen the peace process with Palestinians, despite right-wing Israeli protests against Mr Arafat's return to Gaza and Jericho.

"With all the protests and the shouting, we will continue with the peace process. We got a mandate from the people and we will go on with it," Mr Rabin told trade unionists.

In Jericho, a crowd of 3,000-5,000 joyous Palestinians pushed and shoved to get their first glimpse of "Mr Palestine". PLO officials blamed the poor turnout on Israeli demonstrations and restrictions which stopped many Palestinians from the West Bank arriving.

As soon as Mr Arafat stepped off his helicopter in a cloud of dust, one boy shouted: "See him, I see Abu Amar" - referring to the veteran PLO leader by his *nom de guerre*. Others shined up telegraph posts

and pushed against security forces, breaking down a wire-mesh fence in the frenzy to see more than the tip of Mr Arafat's head surrounded by bodyguards in olive-green uniforms.

To the applause of the crowd, Mr Arafat embraced orthodox Jews in black hats and coats from the small Neturei Karta sect, which supports the creation of a Palestinian state on the grounds that it will hasten the coming of the Messiah.

Mr Arafat then sped through the town centre in a convoy of jeeps, fire engines and at least 12 ambulances, their sirens wailing. Two Palestinian youths rode on horseback with the motorcade.

Later Mr Arafat took the oath of office on a Koran covered with white shells, then swore in 12 members of the Palestinian national authority, a *de facto* cabinet.

Mr Shaath, planning and economic co-operation minister, said the authority got to work in its first official meeting and took several decisions including negotiating strategy in Paris and a plan to build 25,000-30,000 new housing units and create 20,000-25,000 jobs in the next 12 months.



Yasser Arafat shakes hands in Jericho yesterday with Rabbi Moshe Hirsch of the Neturei Karta Jewish sect which does not recognise the state of Israel and supports the idea of a Palestinian state

Japanese tax cuts promise confirmed

By William Dawkins in Tokyo

Japan's new government yesterday confirmed it plans to cut income tax, in a bid to stimulate domestic demand and curb the trade surplus.

"By promising tax cuts for next year, we have made clear our consideration of the economy," said Mr Masayoshi Takemura, finance minister.

He was, however, unspecific on how to fund the tax cut beyond indicating there would be a rise in the 3 per cent sales tax at an undetermined later date. In the meantime, the government would avoid issuing deficit-financing bonds "too easily", he said. The tax cut is expected to be of the same order as this year's one-off ¥6,000bn (¥39bn) income tax rebate which was decided by the former government of Mr Morihiro Hosokawa and was to last for one or two years.

This indicates the new government is going for an expansionary economic policy, to reinforce the signs of a fragile upturn from Japan's longest recession since the second world war.

The prospect of a resultant fall in the trade surplus helped the yen weaken slightly yesterday, closing at ¥95.5 to the dollar in Tokyo, from ¥95.67 the previous day. However, fears that the government will have to issue more debt provoked a sharp drop in government bond prices.

An outline tax plan will be presented at the Group of Seven summit of leading industrial nations in Naples at the end of the week and the government hopes to draft details of overall tax reform by the end of the year.

A rise in sales tax would be doubly controversial for the three-party coalition. The government is already unpopular because of the manner in which it seized power last week. The Social Democratic party of Mr Tomiichi Murayama, prime minister, opposed the introduction of sales tax in 1988 and is loath to increase it.

Uncertainty over future funding is unwelcome to the Finance Ministry, which has always argued that an income tax cut and sales tax increase must be decided simultaneously. It fears the budget deficit could rise out of control at a time when Japan's ageing population is set to make increasing demands on social security spending.

Tax revenues fell short of spending in 1993 - by ¥568bn - for the third year in a row, the ministry said yesterday. It will make up the shortfall by borrowing from a state fund set up for this purpose.

Taiwan hints at end to curbs

Taiwan yesterday called on China to recognise the "temporary reality" of two separate governments on either side of the Taiwan Strait and urged Beijing to renounce the threat of force against the island.

Laura Tyson reports from Taipei. Officials also hinted that curbs on cross-strait economic ties would be eased and re-establishment of direct transport links hastened, although observers said nothing substantively new was offered.

Cabinet short on experience and lacking electoral tests

By Julian Ozanne

The Palestinian national authority sworn in before Mr Yasser Arafat in Jericho yesterday is short on experience and made up largely of loyalists who depend on the PLO chairman for their political position.

The authority, a *de facto* cabinet, contains a cautious balance of people from the West Bank, Gaza and the "leadership in exile", prominent families and both the Islamic and Christian Palestinian communities.

Few of the "ministers" have any proven administrative ability or have passed an electoral test. None is expected to pose

any real threat to Mr Arafat's rule by centralising power and ruling by fiat.

The position of all the ministers, who will rule as a caretaker or interim government until national elections expected in mid-October, is likely to be fragile in the face of a Palestinian population anxious for democracy after 27 years of Israeli occupation. During those three months they will have enormous problems in producing any tangible results in solving day-to-day problems of unemployment, poverty and inadequate services facing the 900,000 Palestinians now under self-rule.

But some of the ministers do

have a technocratic record in the portfolios to which they have been appointed, among them Mr Yasser Amr, education minister, and Mr Riyad al-Zanoun, health minister. But it is unclear if they will be allowed to exercise real power.

"The fundamental question about the authority is going to be whether Mr Arafat will give them the authority to implement decisions," one PLO official said. "In the past, he has never delegated. If he carries on this way, we are going to have tremendous problems with decisions delayed, changed arbitrarily and overruled on the personal whim of President Arafat."

Concern about the authority's real power, democracy and credibility have been reflected in Mr Arafat's difficulty in recruiting members. Mr Mahmoud Abbas and Mr Farouk Kaddouri, two of the most senior PLO leaders, have refused positions on the authority and chosen to stay at PLO headquarters in Tunis.

Mrs Hanan Ashrawi, former PLO spokeswoman, also turned down a job. Mr Faisal al-Husseini, the man with perhaps the greatest independent political base in the West Bank, refused to be sworn in yesterday as minister without portfolio on the excuse that his responsibility to the 150,000

Palestinians in Arab East Jerusalem was beyond the geographical limits of self-rule in Gaza-Jericho.

At least five places on the 24-member authority have yet to be filled as Mr Arafat continues to cajole opposition figures into taking some seats.

Nobody symbolises the nature of the authority more than Mr Nabil Shaath, minister for planning and economic co-operation. Aged 55 and a businessman with one of the biggest publishing and management consultancy companies in the Arab world, he led the PLO negotiating team with Israel and Mr Arafat has, so far, made him front man for

self-rule. Mr Shaath, respected for his intellectual, organisational and communications skills, has no political base in the West Bank or Gaza. Many Palestinians see him as more Egyptian than Palestinian.

Mr Mohamed Zuhdi al-Nashashibi, finance minister, is closely associated with Mr Arafat. He comes from a prominent Jerusalem family, is head of the PLO economic department, and is a member of the PLO executive committee. His power was substantially increased yesterday when the "cabinet", among its first decisions, transferred responsibility for the annual budget from the development council to the

finance ministry.

Two members of the authority represent the Palestinian Democratic Union, or Fida, a small breakaway political party set up in 1993 with marginal popular support. Fida has, with reservations, supported the peace process and backed Mr Arafat.

Mr Yasser Abed-Rabbo, 49, a leader of Fida and a PLO executive committee member, becomes minister for arts, culture and information. Mr Azmi Shuaibi is made minister of youth and sports. Mr Elias Freil, Christian mayor of Bethlehem since 1972, becomes minister for tourism and monuments.

Morocco plans to extend scope of privatisation

By David White in Casablanca

Morocco is planning to extend its privatisation programme to include sectors such as power generation, which until now have been considered out of bounds for the private sector.

Mr Abdelatif Elilahi, prime minister, emphasised the need to reduce the state's role when meeting business leaders in Casablanca yesterday, in his first major economic policy statement since he was appointed a month ago.

Earlier, he told foreign journalists that privatisation was "an absolute necessity". Morocco needed to develop foreign and domestic investment to combat a 15-16 per cent unemployment rate. The government would do "the maximum" to help the country's private sector and cut red tape.

It would seek safeguards to prevent a loss of control over "strategic" activities such as banking, in certain cases the state might keep majority shareholdings. But Mr Jetton Driss, commerce and industry minister, said: "Nothing is

excluded. There are no taboos."

Morocco has so far sold control of 22 companies to foreign and domestic investors under an initial programme covering 75 companies and 37 hotels to be privatised by the end of next year. These include Société Nationale d'Investissement, a state holding company with interests ranging from brewing to banking. The programme is expected to bring in some Dirham 17bn (£1.2bn).

Sectors excluded so far from the programme, such as public utilities, the Samir oil refining company, and Office Cherifien des Phosphates, the phosphate company, will now be considered for privatisation. "It is possible to associate the private sector with everything," Mr Driss added.

Plans include giving private companies responsibility for future electricity plants and possibly selling off some existing power stations. Distribution of electricity would remain in state hands although possibly with minority private-sector shareholdings.

Pledge on Rwandan refugee zone

French troops will 'retaliate'

By David Buchan in Paris

French troops will "retaliate" if the refugee zone they have created in south-west Rwanda is attacked, Mr Alain Juppé, France's foreign minister, said yesterday.

But French officials said that, after capturing the capital Kigali, the rebel Rwandan Patriotic Front (RPF) forces had by midday yesterday stopped some 10km short of the line created by French and Senegalese troops around the rapidly filling refugee zone.

The French Foreign Ministry said the number of refugees had doubled in the past few days to 400,000, without specifying their ethnic origin, and French troops had on Monday disarmed militia whose "behaviour was threatening".

Mr Juppé said it was nonsense to suggest France was establishing the safe haven "as a means of protecting government troops or of blocking the RPF". He told a press conference the main part of the government forces lay outside the refugee zone, while a French envoy had discussed in

Kampala, Uganda, on Monday with General Paul Kagame, the RPF military leader, "ways of putting the security zone into effect".

The French foreign minister said it was absurd to think "the total victory of the RPF would settle the problem" and that, after the fall of Kigali to the RPF, "the reasons for a ceasefire are all the greater".

Admiral Jacques Lanxade, French chief of staff, affirmed yesterday French troops would "continue to be neutral" so as to help "all those who felt themselves threatened".

Reuters adds from Kigali: The RPF said yesterday it would form a government within days and declare a ceasefire but hit out at France for what it saw as threats over the safe haven. Maj Gen Paul Kagame, RPF commander, said at a seized Kigali barracks: "The French must recognise our sovereign rights in our own country. We don't mind having zones where civilians will be protected but the way the matter is being handled raises questions. It comes across as a threat."



ALYSON ARMETT.
ONE REASON THAT HARDENED
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ABB in China power deal

By Michael Lindemann in Bonn

The German subsidiary of Asea Brown Boveri, the Swiss-Swedish engineering group, yesterday signed letters of intent to start up six joint ventures to build power plants and electric locomotives in China. The signing was one of several at which Chinese officials put their names to a variety of deals with 17 German companies worth \$3.5bn (\$2.28bn) during a week long visit by Mr Li Peng, the Chinese premier. Germany has become China's most important trading partner in the European Union with trade in 1993 totalling DM23.4bn (\$9.53bn), according to the Asia committee of federation of German industry. Ger-

man exports stood at DM9.6bn, up 67 per cent on the year before, while imports rose 18 per cent to DM13.7bn.

ABB said it would take several months to work out further aspects of the joint ventures and it could not give any financial details.

Five joint ventures will build and refurbish power stations with a generating capacity 4,000MW, the biggest of which will be a 1,000MW combined gas turbine power plant near Hong Kong. A sixth joint venture will manufacture electric locomotives with the Zhuzhou Electric Locomotive Works in Hunan province.

The company said it expected Chinese orders worth over DM1bn from China this year.

Mr Günter Rexrodt, the economics minister, said much could be done through closer economic contacts to improve the human rights situation in China. "We achieved the same thing with the Soviet Union and other countries in the former eastern bloc," he said.

About two dozen parliamentary delegates from Chancellor Helmut Kohl's Christian Democratic Union wrote protesting about the Chinese human rights record and questions about what the Chinese will do about their political prisoners have featured in many conversations between Mr Li and his German hosts.

Klöckner-Humboldt-Deutz, one of the world's leading makers of diesel engines, signed a

letter of intent to set up a joint venture with the China First Automobile Group which plans to make around 100,000 engines by the year 2002.

Klöckner signed another two contracts worth DM40m to build two cement-making plants.

BASF, the chemicals group, said it had signed a contract to build a plant near Shanghai which will produce auxiliary products for textiles, part of DM220m which is being invested by a Sino-German joint venture in which BASF holds a 60 per cent stake.

KSB, the pump maker, said it closed a contract for a \$22m joint venture with the Shanghai Pump Works which will start work in April.



German president Roman Herzog greets Li Peng in Bonn

Ex-Pact states in tank talks with Germany

By Michael Lindemann

Krauss-Maffei, makers of the Leopard II battle tank, are in "growing discussions" about delivering tank technology to members of the former Warsaw Pact in central Europe.

Such deals are still forbidden under laws which prevent Germany from exporting to countries with which it is not allied, but there have been indications that restrictions on exports to central Europe will be lifted much sooner than similar bans on exports to sensitive areas in the Middle East. "These talks are taking place not only at the defence ministry but also at company level," Mr Gerhard Haas, the head of Krauss-Maffei's military hardware division, said in a recent interview.

Such agreements would include exchange of information about all aspects of tank manufacture, including electronics and armour, the company said.

The new Leopard II is now the main battle tank in Germany, Switzerland and the Netherlands, while Sweden is shortly expected to sign a DM1bn (\$38m) contract to buy 120 tanks with the possible purchase of a further 80 in the future.

While about 75 per cent of Germany's arms building programmes are already undertaken in co-operation with several Nato allies, the closer links with Sweden are the first such initiative with a non-Nato member.

The German defence minis-

try, however, said it had no knowledge about deals to deliver technology. A spokesman said there were several agreements with Poland, Hungary and other central European states to co-operate on education and other contacts designed to develop greater confidence between armies which faced each other, fully armed, for over 40 years.

There are indications that curbs on exports to central Europe will be lifted

Military production in the former Warsaw Pact countries has been in steep decline since the 1989 collapse of communism, further exacerbated by the loss of markets and lack of funds to restructure or convert outmoded military hardware factories.

Mr Burkhard Wollschläger, chief executive, said Krauss Maffei was also working with Mercedes-Benz and the French companies Giat and Panhard on a medium-sized armoured vehicle due for development in 1996.

Krauss-Maffei, which is 71 per cent owned by the industrial conglomerate Mannesmann, has not produced any new tanks since April 1993 but is presently upgrading 225 Leopards for the German army and will begin work on another 180 for the Dutch armed forces.

Kantor claims success for trade benefits policy

By Nancy Dunne in Washington

US policy of linking improvements in labour and intellectual property rights in developing countries with the tariff-free benefits granted under the US Generalised System of Preferences has yielded "substantial results", according to Mr Mickey Kantor, the US trade representative.

In the last year the US has monitored worker rights in 10 countries and intellectual property disputes in eight.

These countries could lose their GSP benefits unless they show improvement in the two areas.

Mr Kantor said five of 10 countries reviewed for labour violations had made enough progress to be dropped from the list of scrutinised countries. They are: Bahrain, El Salvador, Fiji, Oman and Peru. El Salvador, for example, enacted a reformed labour law in close consultation with the International Labour Organisation, and violence against workers was found to have

abated. Oman has joined the ILO and asked for assistance in drafting a new labour code.

Five countries which made less progress stay on the US review list.

These are: Dominican Republic, Guatemala, Maldives, Pakistan and Thailand.

Eight countries reviewed for intellectual property protection made "important gains". Egypt, Guatemala and Cyprus were dropped from the list, while Dominican Republic, Honduras, El Salvador, Poland and Turkey remain.

Shippers compromise on Atlantic routes

By Charles Batchelor, Transport Correspondent

Shipping lines which have set up a controversial price-fixing agreement on north Atlantic cargo routes yesterday put forward compromise proposals to the European Commission.

Plans to revise the Trans-Atlantic Agreement (TAA) to meet Commission objections were unveiled in Brussels by Lord Sterling, president of the European Community Shippers' Association.

The Commission said it could not respond to the new proposals until it had time to study them, but the British Shippers' Council, representing most large UK exporters, said the changes did not go far enough and it would still press for a dismantling of the TAA.

The TAA is an agreement between 15 large shipping lines accounting for about 85 per cent of sailings between northern Europe and the US, to regulate rates and capacity. Its members include many large container shipping lines such as P&O, Maersk and Nedlloyd.

Exporters claim that the TAA, which came

into effect in 1992, has pushed up freight rates by as much as 100 per cent. The shippers say an agreement, or "conference," is necessary to put an end to large losses made on the north Atlantic routes.

"We believe the revised agreement will provide new and welcome flexibility," Lord Sterling said yesterday.

"It is not a climbdown. It is the result of months of discussions to meet the concerns of the shippers while taking note of where the Commission stands."

The new proposals will make it easier for small shippers to negotiate deals with TAA members. They will also allow shippers to reach agreements with just five of the shipping companies involved in the TAA.

Shippers will also be able to negotiate different rates for specific quantities to be moved under general service contracts.

On the question of tariffs, shipping lines will be able to take independent action to set rates after only five days' notice instead of 10 at present.

Caricom to apply for Nafta membership

By Canute James in Bridgetown

The 13 member countries of the Caribbean Community (Caricom) are to apply to join the North American Free Trade Agreement rather than risk losing exports and being put at a trading disadvantage.

Caribbean and Central American states have been seeking "parity" with Mexico in exporting to the US and Canada as one way of protecting their markets. However, Caricom leaders decided at their annual meeting in Barbados this week that they are being asked to concede too much in exchange for parity, and stand to gain more through actual membership of Nafta.

This change of policy follows publication of a report by the World Bank suggesting that Caribbean basin countries will lose millions of dollars in exports because of the Nafta accord. Caricom leaders described an interim trade agreement proposed by President Bill Clin-

ton's administration as inadequate, and said the Community had to prepare itself for full accession.

Fearing the loss of markets in the US and Canada to a more competitive Mexico, Caribbean and Central American countries had asked for parity with Mexico for a range of products exported to the US. These included clothes and textiles, leather goods, petroleum products and tuna.

Mr Al Gore, US vice-president, said recently that the administration was seeking congressional approval for the removal of quotas and duties on Caribbean Basin clothing exports to the US. "We asked for the Caribbean basin countries to be given Nafta parity, and we got a limited offer for garments and textiles," said Mr Percival Patterson, Jamaica's prime minister.

"There has been no response on leather goods, petroleum products and tuna. In return for the limited offer on garments and textiles, we are being asked to sign bilateral

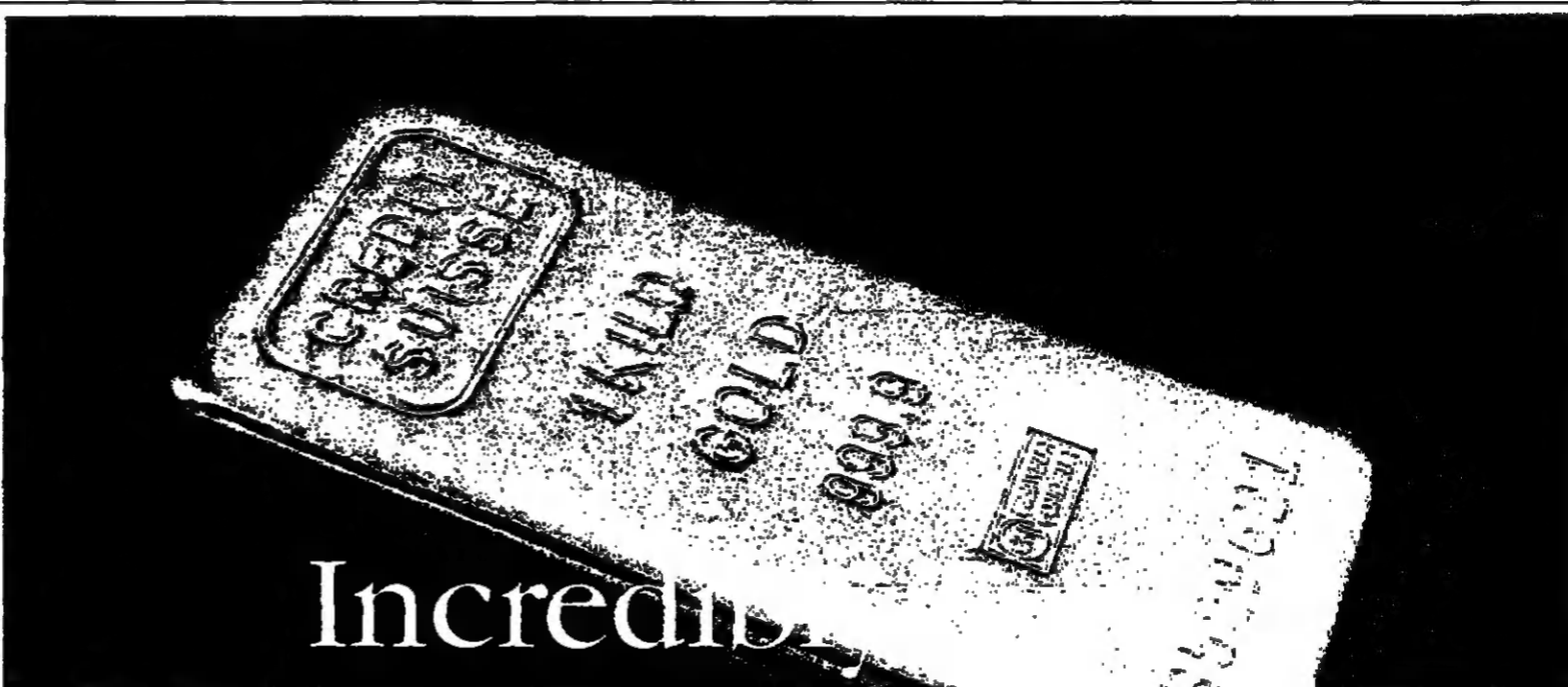
investment treaties, agreements on intellectual property rights and to waive deferments to developing countries which are allowed under sections of the Uruguay Round. All of this we are being asked to do for limited gains."

Caricom had decided that too much was being asked of the region and too little was being granted, he said.

The World Bank report says Nafta "may pose large export losses for individual Caribbean countries".

The report estimates the displacement of Caribbean exports by Nafta at between \$35m and \$53m annually, and says that this is only slightly less than the combined total exports to the US of Barbados and St Lucia.

The Dominican Republic, followed by Jamaica and Haiti "with 45 per cent to 60 per cent of their exports subject to displacement, are likely to be the most affected countries, followed by Dominica, St Lucia and St Vincent".



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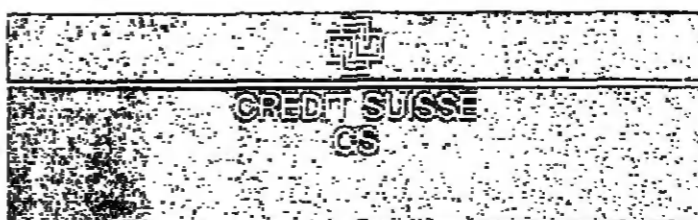


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NEWS: UK

Executives stress that plan to expand Land Rover Discovery production financed from Rover's own earnings

Rover invests £68m under BMW control

By John Griffiths

Rover Group yesterday announced its first substantial investment programme under the ownership of German carmaker BMW. £68m to expand capacity of the Solihull factory producing its highly successful Land Rover Discovery four-wheel-drive model.

The expansion, to be completed by early next year, is one of the biggest spending projects on a single plant announced by Rover in recent years. Land Rover is believed to have

been one of the major attractions to BMW in deciding to launch its takeover. It has given the German executive car maker instant access to a valuable international market in which it had no existing expertise.

Land Rover, which is also to launch a new generation of its flagship Range Rover model in the autumn, generated the lion's share of Rover's profits last year, allowing the UK vehicle maker to report a \$56m profit before interest compared with a \$49m loss in 1992.

Rover executives stressed last

night that the project is to be financed from Rover's own earnings. There will be no contribution from BMW, which bought Rover for £80m plus debt assumptions at the start of this year and which pledged to allow Rover to operate autonomously.

"It had been envisaged for some time, before the BMW takeover in fact, that the investment would be necessary in order to meet soaring demand," said a Rover spokesman.

The expansion will allow Land Rover, the Rover group's four-wheel-drive subsidiary, to increase produc-

tion of the Discovery by a further 20 per cent to 1,500 a week and confirm it as one of the most successful vehicles ever to be launched by Rover, formerly BL.

The model was launched in 1989 at a production rate of 270 a week and within a few months became the UK's best selling four-wheel-drive model.

Since then production has been increased a total of nine times, creating an extra 1,600 jobs at the Solihull factory, near Birmingham, which now employs 9,700. It is currently

also producing the utility Land Rover Defender at a rate of 600 a week, including kits for assembly overseas, and the up-market Range Rover at a rate of 300 a week.

It is expected that the latest expansion will create some further jobs, although Rover said last night it was too early to say how many.

Discovery sales last year reached 36,433 vehicles world-wide, representing one-half of Land Rover's total sales. Its image is in sufficiently high standing for Honda, which is still collaborating with

Rover despite the BMW takeover, to be selling the vehicle under its own name, as the Honda Crossroads, in Japan.

The production expansion is partly to cater for demand in the North American market, where the Discovery was launched only three months ago. Land Rover expects sales of the Discovery in the US to total more than 6,000 this year and more than 10,000 in a full year. US sales of the Range Rover and Defender ranges rose by 16 per cent to a record 4,507 last year.

Britain in brief



New probe into Haulon textile plan

The recently established House of Commons Northern Ireland committee is to probe aspects of the £157m Haulon textile project as part of its inquiry into employment creation in the province.

The cross-party body is expected to question representatives of Northern Ireland's Industrial Development Board on the subject later this year. A decision on whether to question ministers will be taken later.

The project, to build a Belfast textiles plant, became the subject of controversy in May when it emerged that the European Commission overrode strong objections from its own officials in approving a £50m UK government grant.

The plant - to be built by a Malaysian division of Haulon, a Thai-owned conglomerate - will represent the largest industrial investment in Northern Ireland since the failed De Lorean car venture.

Farm accident rate at low

The number of people killed in agricultural accidents last year was the lowest ever recorded, the Health and Safety Executive announced.

Forty-one people died in agricultural and forestry accidents, 11 fewer than the previous year and lower than the average for the last seven years of 60.

However, according to a report by the HSE's economic advisers unit, the cost of work accidents in farming, forestry and fishing are at least £25m a year.

68% of farmers join Marque

Milk Marque, which takes over from the Milk Marketing Board as a voluntary producers' co-operative in November, has signed up 68 per cent of the 28,000 dairy farmers in England and Wales.

Mr Andrew Dave, chief executive, announced that 19,637 farmers had joined and he was confident of signing up about 75 per cent in total, close to his original target of 80 per cent. He also said Ernst and Young, the accountancy firm, would act as auditors to ensure that Milk Marque implements its selling system fairly.

Five faiths recommended

Christianity should be predominant in the religious education taught in English and Welsh schools, but five other faiths must be taught, the government curriculum organisation said yesterday.

The Schools Curriculum and Assessment Authority, chaired by Sir Ron Dearing, recommended that all children should be taught the principles of Christianity, Judaism, Islam, Hinduism, Buddhism and Sikhism. Christianity, plus at least two others, must be taught in primary schools.

MPs consider BCCI probe

A select committee of MPs is to consider setting up an inquiry into the fees and conduct of the liquidators to the collapsed Bank of Credit and Commerce International.

Mr Dick Cumber, chairman of the trade and industry select committee, confirmed yesterday that he had received a request for an inquiry and would raise it at a meeting later this month.

The suggestion came from Mr Keith Vaz, Labour MP for Leicester East, who wrote on the third anniversary of BCCI's closure saying it was "essential" that the conduct of the liquidation was investigated.

Midland offers £10 penalty

Midland Bank, one of the UK's four largest clearing banks, launched an aggressive campaign to win personal customers from its competitors, by promising to pay £10 if it failed to meet certain standards in transferring an account from another bank.

OECD backs critics over Pergau aid

By Jenny Burns

THE OECD has given a cautious formal endorsement to domestic criticism of Britain's use of aid to Malaysia to help build the Pergau dam.

In a report on the UK programme published yesterday, the OECD endorses last October's National Audit Office criticisms of the government for approving aid funding for the project against overwhelming commercial and technical advice from government officials.

The report states: "The British government operates its aid programme alongside diverse foreign policy and commercial interests. Conflicts of objectives can arise on occasion, as in the case of the Pergau project."

The report by the OECD's Development Assistance Committee is couched in terms that reflect the organisation's consensual approach, but it raises concern over Pergau to an international level.

The report, published after a long delay, makes clear it considers the Pergau affair to have vindicated previous reports by the committee criticising Britain's aid-and-trade provision (ATP) which is supposed to support development projects of value to British industry. It pinpoints criticisms of ATP by non-government aid organisations, including:

- that it creates a conflict of objectives between the commercial need for quick decisions and the need for full appraisals of the social, environmental and economic aspects of the proposal.
- that it benefits affluent countries disproportionately, diverting aid from the poorest.
- that ATP projects distort development planning and country strategies.
- that ATP projects, because

Training under fire

The performance of Training and Enterprise Councils, the employer-led bodies charged with transforming vocational training in England and Wales, has fallen short of initial expectations, according to a report from the Organisation of Economic Co-operation and Development. The judgment is contained in an unpublished note produced for last month's OECD jobs study which is critical of the UK's educational and skills base.

they are concentrated in a few sectors, create a vested interest and a lobby which "may not always give as high a priority to development as aid officials might wish".

The government has defended ATP on the basis that it enables British companies to enter markets where they have to contend with aid-backed offers from their competitors.

The report notes that the government has undertaken a review of ATP, implementing tighter procedures for the appraisal, approval, and monitoring of individual projects. The aid and trade rules were changed last year so that a country as prosperous as Malaysia could no longer qualify for bilateral aid. The OECD has been told by officials that the ATP will in future focus on creditworthy low-income developing countries with a GNP per head of below \$700.

In a more general comment on UK aid policy, the report concedes that Britain now has a "highly concessional, business-like bilateral programme" largely orientated towards the developing countries.

Division over full employment strategies

By David Goodhart
Labour Editor

Employers, unions and the British government yesterday committed themselves to the goal of full employment, but differed sharply over the means, at the Looking Forward to Full Employment conference organised by the Trades Union Congress.

Mr David Hunt, employment secretary - whose presence caused a demonstration outside and the non-attendance of several union leaders - said Britain had to "combine US-style job creation and enterprise with the kind of social standards we in Europe expect".

Mr John Prescott, shadow employment secretary, raised the spirits of the 500-strong audience when he said "it is possible to create a million jobs during a period of government".

Mr Hunt is the first cabinet minister to attend a TUC conference for more than a decade. His reception was not enthusiastic, but hecklers were firmly dealt with by TUC stewards and he received polite applause at the end of his speech.

He welcomed the growing consensus that active labour market measures had to concentrate on the long-term unemployed. But he said some unemployed people needed to change their attitude to the new service-sector jobs.

He said there was still a role for unions in the battle against unemployment but this should be in the workplace. He attacked the "discredited" union link with the Labour party at national level.

Mr John Monks, TUC general secretary, contested the de-regulatory approach of the government. He said: "We need new national institutions to improve competitiveness and employment. We have a good record in health and safety at work because we have strong national regulations. If we did the same with training we might get better results."

Mr Monks said that there was "strong suspicion in trade union circles that mass unemployment had been a deliberate act of policy".

He accepted that demand management alone could not solve the problem but criticised the fact that the recent European Union paper on job creation "had been shuffled off the table by Finance Ministers".

Mr Howard Davies, director-general of the Confederation of British Industry, said that "if a government with a policy commitment to full employment were elected we would not take our best home". He also revealed that the CBI was surveying employers about the skills of the unemployed who present themselves for work.

In an indirect attack on the Institute of Directors he added that: "Our employment policy committee puts a higher priority on its unemployment related work at present than on proposing new and exciting reforms of employment law".

He said that companies which will not commit to becoming Investors in People - the government-backed scheme linking training to business needs - deserve "pressure from below".



More than 300 chapels are to be demolished and replaced by social housing in a Presbyterian Church of Wales scheme. The Rev Dafydd Owen, pictured, general secretary, says chapel capacity can exceed total adult population. The church has 977 chapels in all.

Hard graft against 'wicked' CAP

Deborah Hargreaves on the problems facing Britain's small farmers

Mr John Thompson works an 80-hour week on his dairy and sheep farm on the north Yorkshire moors near Whithby. The holding is not big enough to make it worth employing another pair of hands, but the 55-year-old farmer is fed up with the hard graft and is considering giving up his cows and developing a Bed and Breakfast business.

The long hours and poor pay for Britain's 150,000 small farmers make them a dying breed. They are either leaving the business or taking part-time jobs at the rate of 2,000 a year. Today they take their plight to Westminster where a group will press Mrs Gillian Shephard, agriculture minister, to agree to changes in the Common Agricultural Policy that will favour small producers.

"The public agrees to sup-

port agriculture because they think the money is going to small farmers like us," says Mr James Mulford, chairman of the Small Farmers Association, "but 80 per cent of CAP spending goes to 20 per cent of the biggest farmers. It's wicked."

Mr Mulford does not want any additional cash, he wants CAP funds to be spread more evenly by setting a cut-off point after which large holdings would fall to qualify for aid. This would stop hundreds of thousands of pounds in subsidies going to Britain's big grain barons who are among the richest landowners in the country.

"These subsidies are just pure profit to some of my larger neighbours, but every pound of aid I get goes to pay for food for my family," said Mr Mulford, who farms 200 acres in Suffolk.

A small farmer typically has a holding of less than 200 acres with 80 per cent of the family's income generated on the farm. Although under this definition almost half of Britain's farmers can be termed small, Mr Mulford argues that their voices are never heard. "We're totally ignored because we're just physically too busy to go to meetings."

At the same time, smaller producers reason that they are caught in a vicious circle - if large farmers are enjoying a good year as is currently the case, their desire to expand pushes up land prices and the cost of agro-chemicals is increased, making it harder for small farmers to compete.

Many large farmers are hoping to buy up their smaller neighbours in an effort to cut costs and compete with lower-cost operators overseas when

the General Agreement on Tariffs and Trade deal comes into force next year.

Mr Thompson's farm could well get swallowed up by a bigger landowner. It will not support a full-time living when he retires as on 30 of his 80 acres he has only a life tenancy which cannot be passed on. But the Bed and Breakfast business is also uncertain as fewer families choose to spend their main break in Britain.

Mr Mulford is hoping today to convince Mrs Shephard to take notice of the interests of the small producers for a change.

"The large producers dictate the agricultural debate in the UK and also in the European Union, but a small mixed farm is what the public think of as a traditional holding and they want to keep it that way," he declared.

Nuclear Electric claims cut in costs

By David Lascelles,
Resources Editor

Nuclear Electric, the state-owned nuclear power generator, yesterday claimed that some of its stations could now produce electricity commercially without the help of a special levy on consumers.

Its five advanced gas-cooled reactors (AGRs) had cut generation costs to 2.6p per unit, which was below its average selling price of 2.7p per unit for the first time. The company hailed this as "a major breakthrough" which reinforced the case for privatisation.

"The three has come for a rethink of our status as a public sector company," said Mr John Collier, the chairman, as he unveiled the company's results for the year ending March 31.

Yesterday's upbeat announcement came only a month after the government launched its wide-ranging review of the nuclear industry, one of whose aims is to determine whether Nuclear Electric can be privatised.

The results showed NE had made strides towards cutting costs and raising its share of the electricity market in England and Wales. Profits amounted to £36m, up from £10m last year. This included income of £1.2bn from the nuclear levy which adds some 10 per cent to electricity bills. NE has set 1995 as the target date for profit without the levy - due to be phased out by 1995.

NE presented its accounts in a way which distinguishes between its current operations and those inherited from the Central Electricity Generating Board. The first made a profit of £702m, and the second a loss of £341m, mainly because the older stations have large clean-up liabilities which are not fully funded.

NE's income from electricity sales was up by 21 per cent to £1.7bn, with most of the increase coming from AGRs which are finally operating efficiently after several decades of development. Productivity measured by electricity produced per employee rose 27 per cent.

Poll methods alter after 1992 errors

By Philip Stephens,
Political Editor

An exhaustive inquiry into the failure of opinion polls to predict accurately the outcome of the 1992 general election yesterday put most of the blame on the sampling techniques used by the pollsters.

An independent report commissioned by the Market Research Society said that a late swing among voters from Labour to Conservative in the last days of the election campaign accounted for only between a fifth and a third of the error.

Introducing the report Mr David Butler, a respected psephologist from Nuffield College, Oxford, said that the failure of eve-of-election polls to predict Mr John Major's victory was the "most spectacular in the history of British election surveys".

A team chaired by Mr Butler and including representatives of two of the main polling organisations - MORI and ICM - said the quota and weighting systems used to

select representative samples did not reflect with sufficient accuracy the social profile of the electorate. The systems, which take into account such factors as age, sex, social class and occupation, were not fully representative.

The opinion polls, which were four percentage points away from the actual outcome for both the Conservative and Labour parties, suffered also from the refusal of many voters to reveal their loyalties during the campaign.

The main polling companies said yesterday that they had already implemented in part or in full the main recommendations of the inquiry.

Some of the pollsters have decided to switch to the use of secret ballot to collect voting intention data. But the report stressed that there was no single framework available to ensure that the mistakes were not repeated. Mr Butler said also that newspaper reporting should be sensitive to the detail of polling results as well as to the "headline" figures.

Campaigner for Lloyd's investors driven into bankruptcy

A leading campaigner for dissident members of the Lloyd's of London insurance market yesterday admitted that he had been driven into bankruptcy.

Mr Christopher Stockwell, chairman of the Lloyd's Names Association Working Party, was served with a petition for nearly £2.9m by a bank ultimately controlled by the family of Mr John Latsis, the Greek shipping billionaire.

The move is not directly related to Mr Stockwell's participation in underwriting syndicates at Lloyd's,

but means it is highly unlikely that he will be able to pay off outstanding debts to the insurance market.

It may also add to pressure by some groups for his removal as chairman of the association, which has acted as an umbrella group for loss-making Names taking legal action. Names are the individuals whose assets have traditionally backed the market.

Mr Stockwell said yesterday that the bankruptcy was driven by his inability - because of demands from Lloyd's syndicates - to pay off loans

secured against his personal assets. He said he planned to continue in his campaigning role.

"There are a great number of younger Names who have got both Lloyd's losses and consequential losses," he said. "I am very sorry about [the petition]. It is very unpleasant for any Name. It is not a situation anyone would set out to create."

He said he had already paid out

"hundreds of thousands of pounds" to Lloyd's syndicates until running out of money last year and his outstanding debts were £2.6m and rising very fast. He had also applied for "hardship", an alternative Lloyd's scheme to bankruptcy.

Lloyd's said yesterday that it was aware of Mr Stockwell's bankruptcy but stressed it had taken no part in the petition, which is being handled by the Official Receiver's office. Any

underwriting syndicates owed money would rank alongside all other creditors including a number of banks.

The petition was served by the Private Bank & Trust Company, a London-based bank. Its directors include the son and one of the daughters of Mr John Latsis, the Greek shipping magnate.

The bank specialises in providing banking, fund management and

advisory services to private clients with considerable wealth, and is ultimately owned by the Latsis family.

Mr Stockwell owned a number of property and furniture companies, including Stockspring, which owed money to Private Bank and was placed in receivership in 1991. He was paid £59,000 in salary and expenses last year in his role as chairman of the Lloyd's Names Association Working Party.

BUSINESS AND THE ENVIRONMENT

Angus Foster reports on an ambitious public health scheme to clean up São Paulo's river system

Green river rising

Brazil's Tietê river, which took slavers and adventurers into the country's interior in colonial times, now carries a less visible but equally dangerous cargo - pollution. The river flows through the centre of São Paulo city, whose sprawling mess of concrete and shanty towns is home to nearly 17m inhabitants. It is probably one of the most polluted rivers in the world. About 40 per cent of its flow is untreated sewage, because of the city's shortage of sewers and treatment stations. More than 1,000 tonnes of organic waste are dumped in the river daily, along with about 3 tonnes of untreated inorganic waste, including chemicals and heavy metals. In some stretches, the river is biologically dead.

Annual floods wash polluted water into the homes of the urban poor who live along the banks, increasing the risks of diseases such as cholera and leptospirosis.

Worse, the pollution is not quickly carried into the sea. The Tietê flows inland before linking with the huge Parana river. São Paulo's rubbish reaches the sea several thousand miles later, near Buenos Aires.

Now a start has been made on cleaning up the Tietê. A huge proj-

ect launched in 1992 by the São Paulo state government aims to cut the river's pollution "in half" by next year, and bring the river "back to life" by 2005. The programme may cost \$4bn (\$2.6bn), making it one of the biggest public health works under way in the world.

The project's general aim is supported by politicians and environmentalists. But its schedule has been criticised as designed to capture public imagination rather than being realistic. Brazil's frequent changes of government often lead to delays of infrastructure projects. Last month, tenders for two sewage treatment stations were put on hold, apparently for political reasons ahead of October's general elections.

More important, São Paulo has suffered from poor long-term urban planning since the capital's rapid industrialisation began in the 1950s. The growth in shanty towns, which are difficult to link to sewage systems, and the lack of industrial zoning, which would group difficult wastes, suggest that cleaning up the Tietê will take longer than the government hopes, and that the already high costs will rise.

The most important element of the project is a planned increase in domestic sewage treatment. Accord-



Through São Paulo city's mass of concrete and shanty towns flows probably one of the most polluted rivers in the world

ing to José Fernando da Costa Bouchinas, São Paulo state's secretary of planning, only 10 per cent of domestic sewage was treated in 1990. This very low rate is partly due to past lack of state government interest, and partly because lax municipalities built sewers straight into the Tietê and its tributaries, rather than building interceptors linked to treatment stations. "The Tietê is the symbol of the project, but most of the pollution comes from the tributaries which flow into it," says Edison José Andriqueti, project co-ordinator.

A \$900m first phase, due for completion by the end of this year but likely to slip back to the middle of 1995, is designed to increase this treatment rate to 50 per cent, leading to an immediate improvement in the Tietê's water quality. Most of the increase will stem from the introduction of an activated sludge treatment station to serve three of São Paulo's biggest municipalities in the south.

Work on the station began more than 10 years ago, but has been stalled by successive governments opposed to the project for political reasons or because of financial problems. Some equipment, such as compressors for the station's eight

aeration tanks, have been in storage ever since. According to the plant's technicians, this equipment is out of date but will still function.

Money for the first phase came in equal part from Sabesp, São Paulo's state-owned water and sewage company, and the Inter-American Development Bank. A second phase, likely to cost a further \$1.2bn, will take the total length of sewers installed under the project to nearly 2,000km and add a further two treatment stations. The target is 100 per cent treatment by 2005, although Andriqueti admits that will be difficult to achieve.

Although domestic sewage and rubbish accounts for about 70 per cent of the volume of pollution in the Tietê, industrial waste is probably equally harmful. São Paulo is home to most of Brazil's biggest polluters, such as its car, chemicals and metals industries. The country's economic problems have provided companies with an excuse to delay environmental spending, even when tougher legislation was introduced five years ago.

The clean-up project targeted 1,250 companies that were deemed the most serious polluters. They were given until the end of this year to arrange pre-treatment of wastes to be discharged into the

public system.

According to Bouchinas, 850 companies are now complying, mainly by installing pre-treatment facilities at their sites. According to critics, the effort to clean up the big polluters is welcome, but largely symbolic. Since most of these companies are well-known or multinationals, most had already moved towards pre-treatment. Also, government claims that these companies represented as much as 80 per cent of industrial pollution are challenged by environmentalists, who say it is impossible to measure pollution from São Paulo's thousands of small companies.

"Some companies are doing good work, but many others are not. And [the government] is still only concentrating on what comes out of the end of the pipe rather than on how to help companies improve production processes to reduce pollution," according to Eugenio Singer, president of consultant Semco-ERM.

Independent estimates of the number of small and medium-sized companies that are regular polluters range from 10,000 to 100,000, so it is difficult to guess how long São Paulo's industrial clean-up will take. But the government will have to hurry if it is to meet its 2005 pledge to return the Tietê "to life".

The \$262m project plans to install more than 300km of sewers, as well as developing more than 1,000 acres of parks and leisure areas. A planned rubbish collection system will daily collect 190 tonnes of waste which is currently washed into the reservoir.

"Pollution should stop once the project is finished. But it needs education as well to stop people throwing everything in the sewer system, which is a serious problem," says Maglio.

Chernobyl's fate on the table

Jill Barshay on a dilemma for G7 nations as they meet this week

The road to Chernobyl is strikingly green. Even the abandoned ghost town, where the power station's employees used to live, is surrounded by densely packed evergreen and birch trees. Only the monstrous cement and steel sarcophagus, covering the remains of the exploded fourth reactor, reminds the visitor that a terrible disaster happened here eight years ago.

Radiation levels have fallen considerably around most areas at the station to about the level of Kiev. Through safety precautions are still observed inside the reactors, outside workers and engineers no longer button up their outer body suits and often skip radiation checks at in spite of random patches of high contamination.

The fate of Chernobyl will be a main topic at a meeting of the seven industrialised nations in Italy this week. Both the European Union and the US have been seeking to shut the station's two operating reactors since the Ukrainian parliament voted last October to keep them open. While western pressure is heightening, Ukraine is building its production capacity at Chernobyl. Contract labourers from western Ukraine are working around the clock to dismantle the old generator in a third reactor, which has been shut since a 1991 fire, and are preparing to put it on line again by 1997.

Government ministers now freely admit that a secret presidential decree was issued last February to restart this reactor. Under domestic political pressure, the State Committee for Nuclear Safety gave a preliminary green light last Wednesday for the work to continue.

Officials have argued persuasively that the electricity produced at Chernobyl, where each reactor saves Ukraine 2m tonnes of Russian oil a year, is vital for their nation's survival. They point out the reactors are no less safe than the other 13 antiquated graphite core reactors of this type that are scattered

throughout Russia and Lithuania, but for which the west is not pressing immediate closure.

"Chernobyl is being isolated because of its symbolism and world opinion rather than its reality," says Viktor Baryshchuk, vice president of the Ukrainian Academy of Sciences.

Beyond the future of Ukraine's graphite core reactors, Ukraine is eager for western assistance in a greenfield clean-up of the Chernobyl zone. A new sarcophagus is needed to cover the existing one over the destroyed fourth reactor. Some 1,000 sq m of cracks originated with the hasty installation of the shell following the 1986 disaster. More than half have been sealed with fibreglass glue, but at least 400 sq m of cracks remain, admitting sun and rain to 10 tonnes of highly radioactive dust.

Nuclear waste burial sites, filled with contaminated reactor parts from the explosion, also present an environmental hazard. These underground dumps have not been lined with clay, allowing the risk that radiation could seep into the water supply, although the water table is low in this area.

Ukraine is willing to close the Chernobyl reactors if the west would offer a "comprehensive solution", which includes new reactors to build Ukraine's domestic energy production and a full clean-up from the 1986 explosion. The issue is how much and how broad this compensation package will be. So far the EU has offered only \$250m (\$350m) of what it estimates will be a total \$2.5bn G7 package to close the reactors.

"Ukraine has not formulated its position yet. We're waiting for the G7 to make an offer and we'll start our serious negotiations from there and say what Ukraine can do for this amount of money," explains Yuri Kostenko, environment minister. Part of western frustration is that Chernobyl is not seen as a danger by Ukrainian officials, but as a bargaining chip. There is the fear that Kiev will capitulate to the west and stall as it did during the negotiations over getting rid of its nuclear arms.

Urbanised shanty town

The shanty town of Jordano-polis, like hundreds of others in São Paulo city, sprang up on uncultivated ground 20 years ago and is now well entrenched. Its precarious brick houses, homes to 300 families, are supplied with electricity, water and - soon - sewers. Jordano-polis is part of Project Guarapiranga, named after a reservoir in the south of São Paulo city. Four years ago, the reservoir's water, which supplies 3m people, deteriorated rapidly. Chief culprits

were the open sewers from shanty towns that have encroached part of the reservoir. The project, which is mainly financed by the World Bank and São Paulo's state government, aims to tackle the problem by installing proper sewers and building roads to allow better rubbish collection.

But the project also shows how

difficult it will be to clean up the Tietê, into which waste water from the shanty towns eventually flows. Installing infrastructure like sewers in the favelas is difficult and expensive. Their houses cluster together without streets, and they are often perched on hillsides and marginal ground.

The government is neither will-

ing, for social reasons, nor able, for financial reasons, to resettle inhabitants elsewhere. "To show how complex it is, we're having to 'urbanise' these areas by installing small roads for access and sewers. Everything has to be discussed with the inhabitants, too," says Ivan Carlos Maglio, the project's co-ordinator.

PEOPLE

Frances Heaton joins Harrisons & Crosfield

If Harrisons & Crosfield, the industrial conglomerate which is recovering from several difficult years, was ever to face an unwelcome takeover bid it would not be short of merchant banking advice.

Frances Heaton, 49, the former director general of The Takeover Panel, has just been appointed a non-executive director. She joins a board which already includes Sir Richard Lloyd, deputy chairman of Hill Samuel Bank, and Martin Anderson, the new finance director who joined from Hill Samuel a couple of months ago.

Heaton, an executive director of Lazard Brothers, trained as a barrister, and joined Lazard in 1980 after a stint at the Treasury. She is also a non-executive director of The Bank of

England, Commercial Union and W.S. Atkins.

She is the first non-executive director to be appointed to the board since George Paul, the former chief executive, took over as chairman at the end of May. Paul has been making a number of changes to his board and several directors are departing over the next year as part of a move to do away with the group's old divisional management structure.

Tom Preston, 61, who has worked for the group for over 30 years, retires from the board shortly following his appointment as chairman of the recently floated Australian companies, Peter Savage, 50, head of the chemical and industrial division, is leaving at the end of the month having completed the rationalisation



of the chemical businesses. Peter Simmonds, 54, head of the food and agricultural division, is taking early retirement next May and Jim Miller, 57, also retires next year after a new managing director of Harcers Timber & Building Supplies has been appointed.

Under the reorganisation, the managing directors of the operating companies will report directly to Bill Turcan, 51, who replaced Paul as chief executive.

Coutts quits APV over personality clash

APV, the big producer of food and drink manufacturing equipment, is looking for a new executive director following the surprise resignation of Neil Coutts with immediate effect.

Coutts joined APV in 1991, and had responsibility for APV Cregasco, the US process engineering company for the dairy and beverage industries, and for the components business.

His departure is put down to a personality clash with Clive Strowger, APV's chief executive. "There is nothing sinister about this," said Neil French, APV's finance director, yesterday. "It was just a question of two people finding it difficult to get on." There were no disagreements over policy.

Strowger will take on Coutts' responsibilities temporarily which will give him an opportunity to evaluate whether Coutts' successor should be an internal or external appointment, said French.

In March, APV announced that 1993 pre-tax profits fell to \$13.4m, from \$20.2m a year earlier, but struck a positive note on orders and future prospects.

Hubbard leaves Murray in charge of Andrews Sykes

Jacques Murray has completed his boardroom takeover at Andrews Sykes by succeeding David Hubbard as chairman of the specialist industrial services group.

Murray, who is also chairman of Nu-Swift, and four of his supporters won control of the Sykes board at an extraordinary general meeting in May. He holds a 28.87 per cent stake in the group and had waged an 18-month battle for control of the board.

Although Hubbard originally opposed Murray's attempts to win control of the Sykes board, the takeover was completed amicably.

Commenting on his decision to resign, Hubbard said: "With the change in control of the board and the appointment of a new chief executive voted by the shareholders in May, transition to the new management is now complete."

Snee moves to J.P. Morgan

Less than a week after S.G. Warburg's Nick Snee, 29, was named the top-rated European Motor industry analyst, he has been poached by a rival US investment bank.

Snee, who has worked at Warburg since 1987, is joining J.P. Morgan Securities, the London stockbroking arm of the New York commercial bank. Snee, who will be a vice president, has been hired to initiate J.P. Morgan's coverage of the European car industry, one of the biggest pan-European stock market sectors.

J.P. Morgan Securities is a relative latecomer to European stockbroking and the firm did not figure in the recent Eitel rankings. S.G. Warburg remains the market leader but several US brokers such as Goldman Sachs, Morgan Stanley, Lehman Brothers and Merrill Lynch have been increasing their market share.

Europe's motor industry lends itself to cross-border comparison and Merrill Lynch and Lehman already rank among the top five firms analysing the European sector.

David Smith, former head of group research and engineering at BP and a member of the Engineering and Physical Sciences Research Council, has been appointed director of research and development at WHATMAN.

Jeff Carr has been appointed marketing director of ROYAL DOULTON; he moves from Burger King.

Geoff Wilson has been appointed md of the Australian operation of Strachan & Henshaw, part of The WEBB GROUP.

Non-executive directors

■ Lord Camoy, deputy chairman of BZW Holdings and a former director of Barclays Bank, at PERPETUAL.

■ The Hon Furze Macmillan has resigned from EXETER PREFERRED CAPITAL INVESTMENT TRUST.

■ Mike Allardice at GOVETT AMERICAN ENDEAVOUR FUND.

■ Wilfrid Caldwell, a former partner at Price Waterhouse, at POWERSCREEN INTERNATIONAL.

■ Edwin Marks has retired from SMITH NEW COURT.

■ Sir Anthony Bamford has retired from TARMAC.

■ Ode Pollard has resigned from JOHN JACOBS.

■ Andrew West, joint md of corporate finance at GUINNESS MAHON, at CROSSROADS OIL GROUP, Stamford.

■ David Backhouse, former chairman of Henderson Administration, at CLAYTHIR.

■ Robert Beamish, chairman and ceo of the Woodridge Group of Companies, at STANDARD LIFE.

■ Sir Frank Cooper has retired from The MORGAN CRUCIBLE COMPANY.

■ Nicholas Ward, former group md at Brent Walker, at W.W. GROUP.

■ Christopher Gibbons, a senior partner of Stephenson Harwood, at LIBERTY MUTUAL INSURANCE COMPANY (UK).

■ Michael Arnold, former senior partner at Arthur Young, at LUMINAR LEISURE.

■ David Barnes is retiring from THORN EMI.

■ Ghysie O'Reilly, a director of the Wedgwood Museum Trust, at WATERFORD WEDGWOOD UK.



FINANCIAL TIMES FT EXPORTER



FT EXPORTER: Summer Issue - July 7th

The next issue of Europe's premier export review, The FT Exporter will appear with the Financial Times throughout the UK and Europe on the 7th July 1994. Written by Financial Times journalists based in leading business centres across Europe, the FT Exporter will show, through case histories, how orders are being won and what practical problems are being overcome.

The Summer issue will include a discussion of how free World Trade is after GATT, at a glance Risk Profiles for

major non-European trading countries, a comprehensive guide to short term export credit insurers and a look at good deals, bad deals and who's doing them.

Details of the new FT Exporter World/Traveler Forecast, in association with Sprint, will also be included in the Summer issue.

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NEW FORD

SUNDAY
NBC/Super Channel: FT
Reports 2230
Sky [REDACTED] FT Reports 0430,
1730;

Ian Davidson

Living with the bomb

North Korea's actions have highlighted flaws in the nuclear treaty



The biggest problem facing American diplomats, ahead of Friday's negotiating session with the North Koreans in Geneva, is to guess the ultimate objectives of the Stalinist regime in Pyongyang.

Optimists like former US President Jimmy Carter, who made a lightning freelance trip to Pyongyang last month, hope Kim Il Sung may be ready to trade his nuclear ambitions against international recognition and economic aid. But pessimists fear that he is committed to the nuclear weapons programme. Carter may know something we don't; but the circumstantial evidence, from all the ducking and weaving over many years, tends to support the pessimists.

North Korea was always a reluctant member of the Nuclear Non-Proliferation Treaty. It signed the treaty under pressure from the Soviet Union in 1985, but it did not ratify the accompanying inspection arrangements with the International Atomic Energy Agency until 1992, five years after the NPT deadline.

Not long after ratification, North Korea informed the IAEA that it had seven nuclear installations; the agency had only previously been aware of two. But when the IAEA demanded to inspect two hitherto secret sites at Yongbyon, North Korea backed off; but last month, after further hindrances over inspection, it announced that it would leave the IAEA.

Because of Pyongyang's obstructiveness, we still do not know what has been going on at the secret nuclear sites. But the Nuclear Non-Proliferation Treaty cannot remain unscathed by the North Korean experience; the question is whether it is fatally damaged.

Current speculation is that North Korea may be diverting fuel rods from nuclear reactors to acquire and reprocess plutonium, which could be used for nuclear weapons. But American intelligence believes North Korea already has one or two nuclear weapons, which it had constructed before 1992; maybe that is why it delayed so long in submitting its pretimed com-

pliance with the NPT.

Here we have a classic stable-door dilemma. If North Korea does have a couple of nuclear weapons, there is no point in the Americans raising the issue, because the North Koreans will deny it; they will certainly not leave them out in the open to be inspected. Therefore, the Americans are almost bound to turn a blind eye to this more fundamental problem. What they are left with instead is a deadpan debate over the controversial fuel rods.

There is only one certainty in arms verification: that you cannot have certainty

The trouble is that this is a negotiation. The Americans want North Korea to conform absolutely to the NPT and reaffirm its formal status as a non-nuclear state. Since no negotiation ever leads to 100 per cent success for one side, this result is impossible. So if there is a negotiated settlement, it must involve a significant weakening of the rules of the NPT.

Many people look for a scapegoat; and the first scapegoat they spot is the IAEA. "Aha!" they say; "if the IAEA inspection systems had been more rigorous, we would have known about the North Koreans long ago, and about the wicked Iraqis before them."

Well, they may have a point; but it is, in any political reality you or I would recognise, only a small point; for the issues at stake are much more complex than that.

In the world of arms control, verification is a subject on

which there is only one certainty: you cannot have certainty. It may be possible to imagine an international inspection regime so thorough and so intrusive that no state would have a secret it could call its own. In theory this would guarantee complete compliance with any arms control treaty; but the treaty would not be signed, let alone ratified, by a single one of the 160 sovereign states in the UN.

The best you can hope for is some degree of probability; the arms control experts will argue still down over how much is enough. But the starting point is that an arms control treaty should seem, to all the sovereign signatories, to be self-justifying in itself: on balance, joining should seem a better bargain than not joining. For then verification can play the modest role of circumstantial indicator of willing compliance, not pretend to be an alternative to it.

There are two reasons why these principles are not working out in the case of the NPT. The first is that this treaty is deeply discriminatory between the signatories. Its very purpose is to discriminate against non-nuclear-weapon states; and, as a result, its inspection regime also discriminates against them. Moreover, the NPT mainly discriminates against less developed states, because some of them are still tempted by the nuclear option.

The NPT's second weakness is that it is a child of the cold war, the product of the arms control which grew out of the nuclear confrontation between the two superpowers. North Korea and Iraq signed, only because they were put under pressure by the Soviet Union; and today no other country can exert that pressure on them.

Last November, US President Bill Clinton said: "North Korea cannot be allowed to develop a nuclear bomb." But the administration subsequently backed off from that absolute position, no doubt because it was sure how it could be enforced. Henry Kissinger, former secretary of state, seems to believe that the US should be prepared to go to war to enforce it; this seems unlikely.

We may have to live with the possibility, or perhaps the probability, that North Korea, like Israel (client of the US), is an undeclared nuclear power; because we can't do anything reasonable about it.

Writing a letter is about to become a more expensive pastime; so too might reading glossy magazines or books.

The cost of paper is rising steeply. In Britain, prices have risen so rapidly that printers and publishers complained earlier this year. In the Office of Fair Trading that paper makers were operating a cartel.

But for the paper companies, the response has generally been "if only that were true". They argue they are only passing on the sharp increases in the cost of their raw material - wood pulp.

After five years of falling prices, pulp manufacturers had by this year cut back output. An unexpected pick-up in demand has therefore led to price rises of up to 50 per cent since January.

To a large extent, the pulp market is following the pattern of other commodities, such as coffee and copper, which have risen in price as the world's economies have emerged from recession. North American producers recently announced their fourth rise in pulp prices this year, due to take effect later this month or in August. By that time, the price of northern bleached softwood kraft pulp - used as the benchmark in the industry - will have risen from \$350 a tonne last year to \$450 (\$450).

Paper producers are passing on these increases to their customers - printers and publishers - with varying success. They have been most successful in the market for high-quality paper. Prices for the highest grades of paper have been marked up by 10 per cent since the beginning of the year.

In the newsprint market, many paper manufacturers have stopped discounting prices they charge newspaper publishers. "The moment we have the opportunity, prices will inevitably go up," says Mr Andre Van Hattem, chairman of Bridgewater Paper, one of the UK's largest newsprint manufacturers.

But media moguls such as Mr Conrad Black, publisher of The Daily Telegraph, who is engaged in a price-cutting war with other newspapers, will be anxious to resist further increases when annual supply contracts are renegotiated towards the end of the year.

That raises the question of which sector will suffer the biggest squeeze on profits - pulp producers, paper manufacturers or printers?

If paper mills and pulp producers are unable to pass on

Deborah Hargreaves says pulp price rises come at a difficult time for the industry

Cracks merely papered over



Many pulp mills are about to be closed, temporarily or permanently, as prices decline to below their costs of production.

the rising cost of raw materials, their already low margins will fall further. Many have been operating at a loss for the past three to five years.

Mr Ronald Oberlander, president and chief executive officer of Toronto-based Abitibi-Price, the world's biggest newsprint producer, says his company has not made a profit for four years, and during that time has lost \$460m (\$460m).

He estimates his return on capital employed has averaged less than 2 per cent over the past 10 years - a figure regarded as typical in the industry.

But there are signs the tide may be turning, and Mr Oberlander says he is confident that the industry is heading for a period of improved financial performance.

His optimism is based on the assumption that manufacturers will be able to continue pushing up prices. Certainly paper makers are able to argue increases are justified: in the past five years, during the worst recession the industry has suffered, prices fell sharply and have not yet returned to previous peak levels. Newsprint prices, for instance, dropped last year to their lowest point in real terms since records began in 1924 and so far have returned only to 1990 levels.

Nevertheless, paper manufacturers are still being squeezed, as the prices they charge paper users are not yet rising as fast as their raw material costs. Pulp prices are being driven upwards by supply shortages caused by three main factors:

● The steep fall in prices pulp manufacturers were willing to pay over the past few years has meant many lumber farmers in Nordic countries, which account for about 17 per cent of the world pulp market, decided not to harvest their trees last year.

● The collapse of the former Soviet Union - one of the largest producers of high-quality birch pulp - has disrupted supplies to the large pulp manufacturers in Finland, Norway and Sweden.

● Many pulp mills are about to be closed, temporarily or permanently, as prices decline to below their costs of production.

In large part, the crisis in the industry has been exacerbated by the pulp producers themselves, which had previously built up capacity to such an extent they were forced into cut-throat competition to hold on to markets.

Mr Robert van Oort, chairman of KNP BT, the Dutch paper and packaging group, describes the overcapacity as a "home-made mess".

That overcapacity has now been reversed, thanks to a rise in paper consumption. Mr Roger Digney, marketing director at UK Paper, Britain's biggest supplier of high-quality printing papers, says: "The huge growth in orders has been quite uncanny and it seemed to hit the whole of western Europe simultaneously."

Pulp and paper manufacturers appear to have been caught out by the strength of world economic recovery and the growth of the paper market. At the same time, strong growth in Asian paper markets has boosted Japanese paper mills, which in turn have bought more European pulp.

The industry also appeared to have assumed the problems of excess supply would remain for some years. When the pulp industry was dogged by overcapacity, paper mills and printers became used to ordering raw materials for instant delivery. As a consequence, they ran down their stocks.

Now paper mills are finding it hard to offer quick deliveries. "We're finding it extremely difficult to buy the amount of pulp we need to keep our machines going," says Mr Digney. In spite of the recent rise in prices, he says some smaller paper mills have shut through lack of supplies.

There has been a knock-on effect on pulp makers, which are eating into their own inventories of timber as they rush to meet world demand. It is estimated the world stock of pulp will last 22 days at current consumption rates - down from 35 days supply last year. Mr John Bingham, at the London office of consultancy Hawkins Wright, which advises the forest products industry, says most pulp makers have full order books for the next three months. The capacity utilisation rate - the proportion of the industry's production facilities in use - among the industry's largest and most efficient producers has risen to 92 per cent from about 80 per cent last year.

Another factor is adding uncertainty to an already over-heated market. There is the threat of a strike by British Columbia pulp mill workers, who recently rejected management attempts to introduce mill-by-mill wage bargaining. The possibility of disrupted pulp supplies from one of the largest markets has encouraged the build-up of supplies.

The danger the pulp and paper manufacturers now face is that the cycle of chronic overcapacity followed by a rapid fall in prices will be repeated, if the supply of pulp now grows too rapidly. "Pulp makers can't expect to keep pumping it out at this rate indefinitely," says Mr Bingham.

Mr Oberlander argues pulp and paper manufacturers are their own worst enemies. "If history has judged this industry harshly, it's because of our inability to manage the periods of prosperity and our inability during these periods to spend money wisely," he says.

Unless manufacturers are able to predict with greater accuracy the future patterns of demand, they may find that users of their products - the printers and publishers - will retain the upper hand in price negotiations.

Mr Oberlander calls for a more co-operative approach among pulp and paper producers to deal with issues that go beyond short-term competitive pressures. They need to address such long-term subjects as the competition from multimedia and environmental issues, he says.

But as one paper producer comments: "In a business where the margins are virtually nil, what can you do but concentrate on immediate market prices?"

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Incentive comes with ownership

From Mr Malcolm Hurlston.

Sir, There is no need to look to America to see the advantages of employee ownership ("Benefit of employee ownership", June 26).

Research published last month by the Esop Centre showed that managers of more than four out of five non-quoted British companies with employee share ownership plans (Esops) felt their employees were better motivated and more productive because of the Esop. Furthermore, 58 per cent of managers of Esop companies said their profits had grown faster than their competitors, with the rest saying profits had grown at the same level.

The share prices of companies with Esops grew by an astonishing 43 per cent every year, on average. Those companies whose share prices have performed the best, however, are the ones which communicate with their employees and provide them with information. Conversely, those companies which have made no changes to management-employee communication since setting up an Esop have been seen with the worst performing share prices.

Statistics such as these persuaded the government to relax some of the restrictions on setting up statutory Esops in this year's Finance Act. Malcolm Hurlston, chairman, The Esop Centre, 2 Ridgmount Street, London WC1E 9AA

Gibraltar assured of insurance status

From Mr J J Bossoano.

Sir, To complete the picture so comprehensively set out in your article on the single market in insurance ("Hard work to be free and single: A look at the opportunities and constraints of a single European market in insurance", July 1), your readers will wish to know that, within this context, Gibraltar is in fact deemed to be a separate member state.

This is reflected in the new UK regulations which amended the 1982 act so that it applies "as if Gibraltar were a separate member state". Insurance com-

panies in Gibraltar fully comply with European Community law and are required to match UK standards. They are licensed by the Financial Services Commission which is ultimately accountable to the UK but on a day-to-day basis acts independently of the British and Gibraltar governments.

In terms of the single market, I believe Gibraltar has the ingredients to become the most competitive location. Joe Bossoano, chief minister, 6 Convent Place, Gibraltar

Pressure on paper prices

From Mr W J Bartlett.

Sir, I note, with interest, that according to the British Printing Industries Federation (Letters July 1) "today's price for printing ranges from 1990 levels to 5 per cent below that", and that "at the depth of the recession it was 6-10 per cent below the peak touched in mid-1990".

We appreciate the dilemma faced by printers in passing on costs and, if the pulp and paper manufacturers had been able to hold price reductions during the recession to 6-10 per cent, I can confidently say printers would not be facing the scale of paper price recovery they are today.

However, the fact is that manufacturers' prices for most bulk grades of printing and writing papers fall by between

30 and 40 per cent between 1989 and 1993 (during which period inflation rose by 22 per cent). This has led to massive losses by pulp and many paper manufacturers - for some, the largest they have ever incurred.

In facing the fact that it is essential for pulp and paper prices to recover and the industry to return to profitability, we should not lose sight of the long-term trend - over the past 20 years, a substantial fall in prices in real terms as the industry continues to invest in technology and techniques in a highly competitive market. W J Bartlett, director general, Paper Federation of Great Britain, Papermakers House, Rivenhall Road, Swindon SN5 1BD

Support for CrossRail

From Mr M C F Smith.

Sir, I refer to articles by Charles Batchelor and Kevin Brown ("CrossRail plan doomed despite MPs' support", July 1; "Expiry of London's \$110m ticket to nowhere", July 2), in which reference is made to a 13-point letter sent by Dr John Marek MP to his Labour Party colleagues.

In the letter, Dr Marek says if "the promoters rethink the proposals and have a go at integrating CrossRail with the rest of the transport network, the project should be given the go-ahead".

The CrossRail promoters welcome this support, because this is precisely the position CrossRail is already planned to connect to 26 lines through 45 interchanges. In addition, the promoters have stated they will give binding undertakings to the committee to promote a go-ahead with issues that will provide for the construction of links to Heathrow Express and the proposed Channel Tunnel Rail Link.

Finally, it is significant that nowhere within Dr Marek's 13 points or the full letter does he say that CrossRail should not go ahead.

M C F Smith, CrossRail project director, CrossRail Project Team, Eastbourne Terrace, London W2 6LW

Unfavourable comparison

From Herman Harmelink III.

Sir, After reading John Postgate's diatribe against religion ("Religion: are we better off without it?", June 12), it was refreshing to read in the same issue about another scientist, Conway Morris, who trusts his intuitions in non-scientific as well as in scientific matters. Postgate's case might have been stronger if he had not judged religion by its worst representatives and science by its best. Fundamentalists are no more characteristic of the best in religion than are cheats and frauds representative of the best in science. Herman Harmelink III, Rotary International, 34 Skilton Drive, Poughkeepsie, New York, NY 12603, US

We helped Zoe beat a brain tumour twice.

Now we need your help to continue the fight for thousands of others.

When Zoe was just 17 months old, her parents received the dreadful news that their little girl had a malignant brain tumour and needed radiotherapy. Zoe won her fight and lived quite happily until she was 12.

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Today the cure rate for childhood cancers is over 50%. Very encouraging when you realise that just 25 years ago, around 90% of children with cancer died.

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FINANCIAL TIMES

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Wednesday July 6 1994

A sad loss for South Africa

Yesterday's announcement of the impending departure of Mr Derek Keys as South Africa's finance minister presents Mr Nelson Mandela with the first serious challenge of his presidency.

There is no reason to doubt Mr Keys when he cites "personal reasons" for deciding to hand over his portfolio in October: he had always made clear that he did not see a long-term future in politics, and that once he had overseen the economic transition from apartheid to a government of national unity he would want to leave public life.

He can justly claim his brief of June 22 set the seal on such orderly transition. It demonstrated that the new government intends to live within its means - by keeping the budget deficit to about 6 per cent of gross domestic product - as it struggles to redress the legacy of apartheid with a reconstruction and development plan. It underlined, above all, that stability would have to take precedence over fulfilling expectations of dramatic overnight change.

Nevertheless, there can be no denying that Mr Keys's departure leaves a large hole. Former President F W de Klerk apart, no other individual has done as much to reassure the local business community and international investors during the past two years of tumultuous change.

His greatest achievement has been to win and maintain the confidence of the African National Congress during the transition. Although he was chosen by Mr de

Klerk, the force of his personality and his reputation as an apolitical pragmatist played a vital part in the ANC's abandonment of socialist economic policies.

Compounding the loss was the way in which the resignation emerged - through a premature leak that unsettled financial markets. To limit the damage, Mr Mandela must not only announce a credible successor without delay, but also reaffirm the strongest possible terms that his government intends to persevere with Mr Keys's policies of fiscal discipline and market reform.

Ideally, such a reassertion of principles would be accompanied by equally unambiguous statements from the two other key members of the team administering economic policy, Mr Alec Erwin, deputy finance minister, and Mr Jay Naidoo, responsible for the reconstruction plan. They have already played a critical role, arguing as vigorously as Mr Keys for financial discipline, and their background in South Africa's trade union movement will give their words added weight.

The jittery market reaction to the rumours that preceded yesterday's announcement should in itself provide Mr Mandela with a salutary lesson: that South Africa's new leadership still has a lot to prove in economic policy. If the episode of Mr Keys's resignation reinforces awareness that the policies bequeathed are vital to domestic management and international confidence, it may yet turn out to have served a useful purpose.

Child support

It is rare for government bodies to acknowledge their shortcomings, still less to apologise for them. So Ms Ros Epplewhite, chief executive of the UK Child Support Agency, deserves credit for her candid apology for the agency's failure to provide an acceptable standard of service. Improving its performance, however, will require a more realistic approach by ministers to the job of making absent parents provide adequate maintenance for their children.

The difficulties in establishing the agency have been mentioned in the House of Commons. The Child Support Act passed through Parliament in 1990 on the complacent assumption that it would concentrate on extracting maintenance from the feckless and the irresponsible. Instead, it has hit solid citizens, who have often made what they regard as adequate provision for their children. Their effective campaign against the agency has drawn the case for greater support for single parents.

That case remains strong. Seventy per cent of absent parents pay no maintenance to their children. Of those that do, the amount averages £25 a week. Most single parents live on social security, usually well below the standard of living enjoyed by the absent partner. It is the children who suffer the consequences, while the state pays the cost.

Attempting to improve the position of single parents by making absent fathers pay more was bound to provoke protests. These

surely greed has made the task much harder, however. The agency was set performance targets that were excessively high for a new organisation involved in sensitive work. These included a requirement to make savings of £68m in the amount of social security paid to single parents. Aiming at this over-ambitious target forced the agency to concentrate on the easiest cases with the greatest scope for higher payments - fathers already paying maintenance. They have been among the most vociferous in campaigning against the agency.

The legislation was also deficient in not providing an appeals procedure for aggrieved parents. And it overturned "clean-break settlements" where the absent parent had settled property on the mother. These settlements often left single parents to support the single parent and make the mortgage payments on the transferred property. But the retrospective involved in overturning clean-break settlements flies in the face of natural justice.

Ministers appear to have accepted this. Their realistic approach has been to make the agency's resources provided. However, addressing issues such as retrospective appeals and appeals would require further legislation. The government is to be commended for keeping its nerve on the central aims of the CSA; steering through the necessary legislation will be a still bigger task.

Clearing the air

Today's rail strike, the fourth in four weeks, will force a third more cars than usual to battle with Britain's clogged roads. It will also pump more pollution into the layer of smog hanging over southern England and Wales.

This week, as levels of ozone exceeded World Health Organisation guidelines by more than 30 per cent, ministers advised those suffering from asthma or heart problems to avoid outdoor exercise. They also called on drivers to leave their vehicles at home and take to bicycles. It does not take ranks of wheezing cyclists to point out that the advice is partly contradictory: it is also an inadequate response to a growing problem.

Recent warm weather has been the catalyst for the smog, by causing pollutants such as nitrogen oxides and hydrocarbons to react together to produce ozone. While ozone high in the atmosphere protects people from the sun, at ground level it causes coughing, eye irritation and lung damage.

But the real culprits are motor vehicles, especially those without catalytic converters and those with poorly-tuned engines. If all vehicles were fitted with catalytic converters, which strip out 80 per cent of harmful gases, this summer's smog would not have formed. Since January 1993, converters have been compulsory on all new cars - nearly two decades after the US took the same step. But the effects will take time to show: converters cannot be fitted to older cars, and currently only 15 per cent of UK vehicles

carry them.

The government's immediate target should be the dirtiest engines. According to the Royal Automobile Club, 10 per cent of vehicles - particularly old buses and lorries - emit half the pollution. The annual MOT test on vehicle quality has incorporated standards since 1991. If these were met year-round by all vehicles, that would solve much of the problem. But motoring organisations say that many vehicles meet the standards only on the day of the test: ageing vehicles can be eased through the MOT by temporary retuning, while recession has discouraged drivers from servicing their vehicles as often.

For that reason, the government should consider tougher roadside checks of vehicle exhausts. Ministers' resistance to this suggestion, raised by health and environmental groups as the shortcomings of the MOT have become clearer, is partly based on cost, but this should not be excessive given the vehicle-checking arrangements that already exist.

A second objection - that tighter standards would carry an unwelcome air of intrusiveness. But compared to staying indoors in stifling weather, this is a small constraint on freedom.

Public concern about dirty air is growing. If ministers fail to act against the worst polluters, they will face pressure to restrict all vehicles in urban centres during hot weather, as is already the case in cities like Athens. It is time to face the problem.

own goal for Germany," the banner headline over a full-page advertisement in the mass circulation Bild Zeitung trumpeted, as the World Cup football were getting under way last month.

It showed a dismal-looking German eagle, feathers flying, watching helplessly as a football flashed by. But it had nothing to do with football.

The advertisement was a desperate appeal by the German state post and telecommunications services to their employees not to go on strike. That would amount to an own goal, they said.

Instead, they urged them to back a pay deal which would allow the reform of the entire sector to go ahead, leading to the eventual privatisation of Deutsche Telekom, the telecommunications monopoly, Postbank, the postal service, and Postbank, the postal savings bank.

In the early hours of last Saturday morning, the employers and the trade union reached agreement. It was greeted with almost universal relief. The accord preserves for the 670,000 workers in the industry a comprehensive package of social benefits, cheap housing, health insurance and the like, as well as strict rules preventing redundancies for up to three years.

The employers said the deal went to the limits of what was "entrepreneurially responsible". Despite their failure to renegotiate the industry's fringe benefits, their fear of delaying the privatisation process proved too great to resist. On Friday, the last parliamentary step in the process - approval in the Bundestag, the upper house of parliament - is expected to be a formality.

On January 1 1995, Deutsche Telekom will become an Aktiengesellschaft (AG) - a joint stock company - and from some time in early 1996 the privatisation process proper will be launched with a first share issue. That will raise, it is hoped, between DM150n (\$60n) and DM200n.

Yet many observers fear that the pay deal will prove to have been another own goal for the telecommunications giant itself. It will be coming to the market encumbered with massive debt and a host of burdens from its public-sector past, which could make it decidedly unattractive for private investors.

"There are a lot of questions still to be answered," says Mr Evan Miller, telecommunications analyst with Lehman Brothers. "They will have to address them very specifically when they publish their prospectus."

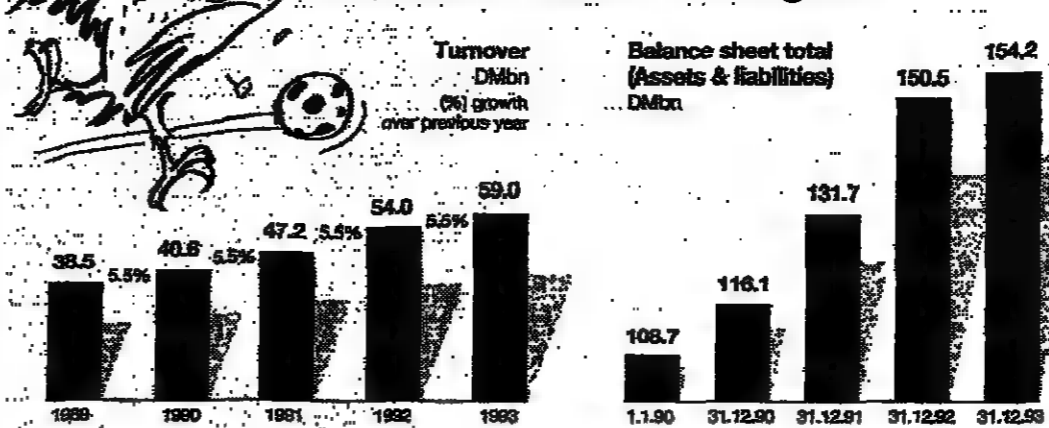
Not that Deutsche Telekom is shy with facts and figures. When the management board faced press and analysts at the annual press conference last week, simultaneously broadcast from Bonn to London and

Lean eagle fights a fat turkey

Quentin Peel asks whether Deutsche Telekom will prove attractive to investors when it is privatised



Deutsche Telekom: own goal?



Customer connections ('000s)	1989	1992	1993	89-92 growth	92-93 growth
East	1,800	3,100	4,150	34%	130%
West	25,850	32,300	32,900	2%	14%
ISDN channels	15	620	1,120	81%	7,400%
Cable connections	6,250	11,820	13,500	14%	118%
Mobile phones	185	850	1,290	51%	590%

Singapore, the company was inundated with offers.

Turnover has been growing by leaps and bounds, thanks not least to an explosion of new users in east Germany. Mr Helmut Riecke, the chief executive, declared: "It was up 9.3 per cent last year to DM59bn, and in eastern Germany up from DM3.5bn to DM4.5bn."

Its investment programme in the east has transformed the former communist state from a telecommunications backwater, where only one in 10 had a telephone, and a single rainstorm could knock out tens of thousands of lines, to a country enjoying more modern technology than the west. The cumulative cost of modernisation will have been DM60bn by 1997, by when 7.2m connections will be installed, as well as 300,000 fax connections, 50,000 packet-switched data links, 5m TV cable connections, a complete digitalised switching system, optical fibre networks,

and mobile communications networks covering the entire territory. Ironically it is the sheer scale of that investment that has worried many observers. Telekom has had three huge projects running simultaneously: the eastern investment, the construction of a television cable network, now covering 14m households - the densest in Europe - and the establishment of mobile telephone networks.

"They are a company positioning themselves to be a global player, and to get into all the key parts of the business," according to one Frankfurt industry expert. A considerable strength is Telekom's control not only of the terrestrial telephone infrastructure in Germany, but also of the dense cable network, opening up options for multimedia transmission.

Its recent deals with France Télécom, and the purchase of a 20 per cent stake in Sprint, the US telecommunications company, fits with

the strategy of internationalisation. So does a push into eastern Europe, led by the purchase of a 30 per cent stake in Matav, the Hungarian telephone company, a stake in Ukrainian Telecommunications, and an expected stake in the Czech telephone system under negotiation.

On the downside come the burdens of the past. The biggest is the debt burden, now standing at DM107bn, or almost 70 per cent of the balance sheet, and rapidly inflated by the heavy investments of 1993.

Another pension question for Telekom employees. More than 120,000 of the 230,000 employees will retain their status of civil servant. They cannot be fired, and will receive 75 per cent of their final salary in guaranteed pension. The other employees have obtained deals with many of the same advantages.

Mr Peter Paterna, chairman of the German Bundestag's post and tele-

communications committee and a leading critic of privatisation process, estimates the unfunded burden of pensions and insurance payments for employees at about DM35bn. All three arms of the postal service combined, including the Postbank, face commitments of about DM100bn. As public authorities, they are never required to accumulate the necessary pension funds to pay for the future: they were to be financed from operating income. "The pensions issue is unresolved," Mr Müller says. "It cannot be swept under the rug. It is a big black hole."

Yet he believes the absolute debt level is more worrying. "The interest burden is very real," he says. What reassured many investment analysts who attended Telekom's presentation last week was the prediction that the current investment programme is peaking, and by 1996, cash flow will exceed capital expenditure, thus gradually bringing the debt burden down. Nevertheless, they still believe that Mr Theo Waiel, the German finance minister, may have to take over a portion of the debt burden to make Telekom shares more attractive in 1996.

There has also been an explosion of potential competitors from the private sector, getting on to compete with the monopoly once the EU opens competition in the telephone services from 1998. The first was Mannesmann, already operating a mobile phone network, which has joined forces with RWE, the electricity utility, and Deutsche Telekom to form a new corporate network. Few market observers expect the market to be open.

As the telecommunications market place starts to look crowded, for Telekom "the real question is to assess the level to which they are becoming customer-facing, which means recognising the fact that they are a service company," says Mr Tim Hurst, telecoms analyst at Kleinwort Benson.

"The customer should be the measure of all things," says Mr Horst Gellert, the board director responsible for customer relations. "The prospect of privatisation is certainly having a galvanising effect, but there is still a good way to go. They are working their way through the learning curve," Mr Müller. "Meetings with analysts still remain long and painfully detailed."

In spite of a massive public relations exercise, with young ladies in lilac and grey suits popping up at public events all over Germany and abroad, Deutsche Telekom still has a fair way to go to persuade a sceptical investing public that it will be a lean and profitable competitor in the harsh telecoms market round the turn of the century.

Three cheers for a weak dollar



PERSONAL VIEW

The trade-weighted dollar has fallen about 10 per cent since April, but this must be seen in perspective. The dollar had previously been trending upwards, and, even after the recent fall, it is still 3 per cent above its 1992 average.

President Bill Clinton is "puzzled" by the weak dollar at a time when the US economy is so "strong", and markets around the world are jittery because they fear that the Federal Reserve is going to put up interest rates again. But are the US authorities right to resist the dollar slide, such as it is?

As it happens, Clinton's "strong" economy has been heading for the rocks, even if these are still on the horizon. In the first quarter of 1994, the current balance of payments was 2 per cent of gross domestic product in deficit, having deteriorated fast through 1993. Import penetration of the US, still relatively low by international standards, has for years been growing much faster than penetration of for-

ign markets by US exports.

We calculate that, other things (including exchange rates) being equal, world output has to rise at least 1.6 times as fast as US output for the US balance of trade to remain a constant share of GDP. For many years this is what happened, as productivity in other countries rose towards US levels. But, since the mid-1980s, growth in the rest of the world has been only a little faster than US growth, so the underlying US trade deficit has deteriorated in a secular fashion.

As a result, US foreign indebtedness has begun to build up in an unsustainable way. In the last 20 years the US has become the world's debtor, and by the end of 1993 had net foreign liabilities worth about 12 per cent of GDP. For a long time the loss of overseas wealth did not obviously matter because, with recorded profits on foreign direct investment in the US so low, the total net flow of property income across the exchanges remained positive.

But the tide has just turned. During the last few quarters, the flow has become negative

and, if the US trade deficit (including transfers) were to be a steady 2% per cent of GDP in deficit, the outflow would build up quite rapidly from now on. The US current account deficit as a whole would rise to nearly 4 per cent of GDP in 10 years and net foreign debt would approach 40 per cent of GDP - the proportion that normally retards countries in the ignominious

Clinton's 'strong' economy has been heading for the rocks, even if these are still on the horizon

"highly indebted" category. Matters would be far worse if interest rates rose further or if the balance of trade deteriorated even more.

Things could never really get that bad. Long before the US deficit and foreign debt rose to such levels, corrective forces would come into play. The danger is that the correction, when it came, would take the form of demand disinflation, as it always

has with debtor countries in the past. If this were to happen, a new twist would be given to the recessionary screw, with endemic unemployment, not just in the US but in the rest of the world as well, ratcheted up several more notches.

A devaluation of the dollar now, before things get out of hand, seems to be just what is needed. The effects on the US economy of changes in the exchange rate are far less costly than in the textbook story - less costly, too, than in the UK experience. Dollar devaluations only seem to have a very small effect on US import prices, real wages and the terms of trade, and as imports of goods and services are still only 11 to 12 per cent of GDP, the direct effect of a (say) 10 per cent devaluation on US price levels is a mere quarter of 1 per cent.

On the other hand, the fact that the dollar price of exports is unresponsive to devaluation means that the price of exports denominated in foreign currency falls a lot when devaluation occurs, causing the trade balance to improve in a very lively way.

A fall in the dollar, even if this

goes considerably further than it has already, should therefore be positively welcomed by the US authorities, and by the rest of the world as well. It offers some hope that a significant part of the US chronic payments imbalance, which poses a grave long-term threat to activity and employment throughout the world, will be ameliorated in a timely fashion.

If the US authorities succeed now in supporting the dollar, they will only make the underlying problem worse. If they raise interest rates further in the process, the error will be compounded because the outflow of interest payments on its foreign debt will build up faster, bringing forward the day of reckoning.

Wynne Godley and William Milberg

The authors are both visiting scholars at the Jerome Levy Institute of Bard College, New York. Wynne Godley is a member of the UK Treasury's panel of independent economic forecasters.

Neapolitan bookworms

Do the people running Naples' royal palace know something we don't? They have put a good part of their library of 1.5m books - lock and key, prior to this weekend's summit of the G7, which is being held at the palace.

But the subtle carpentry is apparently a little selective. Russia's Boris Yeltsin, who will turn up for dinner on Saturday and stay for Sunday's final part of the summit, is being housed in slightly less luxurious quarters than 178 members, that's only fair perhaps, since he's not a member. Glass panels have been fixed to prevent books from disappearing from the main room being used by Yeltsin's aides and those of German Chancellor Helmut Kohl. The books are already under lock and key in the room reserved for French President François Mitterrand.

But while French and German officials will be free to handle the books in their adjoining offices, the same is not true for the Russian visitors. If they feel the need for some reading matter, they will have to supply their own.

Left feet

Roll up, roll up, for round two of the fight to give the TUC a

friendly face. After yesterday's conference on full employment, the TUC is holding a "festa" in Brighton on Saturday to show off the "new face" of trade union campaigning. All the fun of the congress - composite motions, elections and walk-outs - have been quietly buffed to allow a carnival of bands, buskers, clowns and jugglers to perform beneath a big screen television. Once a symbol of Big Brother, the screen is showing live coverage of the World Cup finals.

Sensibly, TUC general secretary John Monks, shadow chancellor Gordon Brown and the union havens addressing an old-fashioned rally have promised to be out of the way before the big match.

Penalty shot

He may be the bad boy of international soccer but when he returns to Buenos Aires tomorrow Diego Maradona will be a hero's welcome. So what if he single-handedly scuppered his team's chances in football's World Cup? His fans - just about the whole of Argentina - still worship him.

A poll just published by a Buenos Aires newspaper records that 58 per cent of respondents reckon Maradona was the innocent victim of an international conspiracy to cheat Argentina out of winning its third world championship; only 13 per cent think he made a serious

OBSERVER



'I had no idea heaven would be this smoggy'

Sleep-walker

The sight of a flak-jacketed Sir Patrick Mayhew, secretary of state for the province, roaming the Republican streets of west Belfast late on Monday night caused a bit of a stir among Ulster Unionists.

The Northern Ireland Office described it as a routine patrol by its minister, who likes keeping "in touch with the security forces". But such is the suspicion of anything Sir Patrick says or does these days that some of the more

paranoid unionists were speculating that he had been en route to a clandestine midnight chat with Sinn Féin president Gerry Adams, in a bid to hurry along the peace process.

Then again, he might have been having one last look at one of the tougher bits of his fiefdom - being replaced in John Major's forthcoming reshuffle.

Dog of war

On the Pacific island of Guam - at the US official war dog cemetery - you will soon be able to visit a life-size bronze sculpture of a Doberman, erected in honour of the many dogs which died helping US troops in the war against Japan.

The dogs "saved hundreds of lives on the island and thousands the Pacific", says retired Lt Gen Claude M. Kicklighter, director of the Pentagon's 50th anniversary of the second world war commemoration committee. As yet, no mention of a presidential medal for them.

Not on, old boy

Journalists assembling to hear president of the board of trade Michael Heseltine hold forth at the South Africa-Britain Trade Association official lunch in Johannesburg next Tuesday were initially told they would have to

pay for the privilege - unless they are fortunate recipients of 12 free tickets set aside for hacks. "Can't afford to pay for more," said an observer firmly.

When it was suggested that such mean-spiritedness was not only ungenerous but also might be less than beneficial for UK trading interests, the organisers relented. Maybe guests at next year's Queen's birthday party in Pretoria will be asked to pay for their pink pins.

House cleaning

Chris Smith, Labour's environmental protection spokesman, obviously has a sense of humour. Tony Blair, expected to be crowned Labour leader on July 21, made his name as shadow home secretary with the slogan Tough on Crime; Tough on the Causes of Crime. Smith's new slogan? Tough on Crime; Tough on the Cause of Crime.

City-litter

Observer's recent comments about the relationship between the cost of cat litter and the price of The Times and The Daily Telegraph has prompted a response from a serious City cat-lover. Having tested all the quality dailies, he reports that his moggy finds the Financial Times the most absorbing, followed by the section of the Guardian.

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WOLSELEY

NEC may invest \$1bn in UK or US chip plant

By Andrew Adonis in London

NEC, the Japanese electronics group, is considering a \$1bn investment in a new semiconductor plant in either the UK or the US.

The company believes the semiconductor plant, to be opened soon in Kyushu, southern Japan, will be unlikely to rise global demand. A new plant would substantially boost NEC's capacity in Japan and would create up to 1,000 jobs.

Recent projections from annual reports suggest that Japan's six leading electronics companies plan a combined investment in semiconductor plants of \$1.5bn over the next nine months.

The increase, the first since the economic slowdown began nearly three years ago, is in response to a demand for personal computers in the UK and Japan.

NEC, the second-largest semiconductor manufacturer in the world, is likely to be the investment before the end of the year. Pro-

duction would be likely to start in 1995.

The company has substantial facilities in both the US and UK. It employs 1,800 people in the UK, including 900 in a semiconductor plant in Livingston, Scotland, and 600 in a mobile phone facility in Telford, Shropshire. In the US, it has a large semiconductor plant in Roseville, California, employing 1,900.

The company said there was no favourite between the two countries and that no decision had yet been considered.

The Kyushu plant will manufacture 16-megabit dynamic random access memories (Drams). The new plant will manufacture 16-megabit chips, and a new range of 32- and 64-megabit chips. Demand for chips is already beyond projected capacity, and the soaring yen is making an investment particularly attractive.

"Building a new plant in Japan is not an option," the company said yesterday. "However, we may still decide not to open a new plant."

Earlier this year NEC announced plans to increase production at Roseville from tens of thousands a month to 1.5 million. It also pledged a \$20m investment to increase output at Livingston, and an expansion of semiconductor production in Ireland and Singapore.

NEC's semiconductor rose 1 per cent last year. It is projecting an increase of at least 10 per cent this year.

The UK and the US are the two countries the company is looking at for a new semiconductor plant. NEC was one of several Japanese groups attracted to the UK in the 1980s by development incentives and Britain's position as a point of entry into the EU market.

The semiconductor industry now accounts for 40 per cent of Scotland's exports, but has not expanded markedly since 1988. The choice of Telford for NEC's second UK plant in 1987 followed a government decision to persuade the company not to go to Hanover in Germany.

NEC's exports from Japan rose 25 per cent last year, and are projected to increase by a further 10 per cent this year.

Possible rate rises keep US markets nervous

By Our Markets Staff

US stock and bond markets held their ground in nervous trading yesterday as investors waited to see if the Federal Reserve's open market committee (FOMC), which began a two-day meeting in the afternoon, would vote to raise interest rates.

The recent decline in the value of the US dollar had convinced some analysts on Wall Street that the Fed governors and regional presidents who make up the FOMC would decide that it required the support of higher interest rates.

The dollar lost more than a penny during London trading yesterday as market sentiment shifted towards the view that central bank support of the US currency was unlikely. It closed in London at DM1.5826 against DM1.5965 on Monday, while in New York it was trading at DM1.5855 at lunchtime.

Against the yen, the dollar dipped to ¥98.225 in London, against ¥98.9 on Monday, and was quoted at ¥98.87 in New York mid-session trading. Higher interest rates could divert international money flows into dollar-based financial assets such as US government bonds.

Although sentiment towards the dollar remains firmly negative, analysts said the market was wary of selling the currency aggressively for fear of being caught out by concerted central bank intervention.

US stock and bond prices spent the morning moving within a narrow trading range, as many investors and traders chose to sit on the sidelines until the FOMC meeting was over. By 1pm, the Dow Jones Industrial Average was up 12.63 at 3,669.28, but broader indices were either flat or lower. Treasury market prices also barely moved, with the yield on the 30-year benchmark bond holding steady at 7.6 per cent.

Although all eyes were on the FOMC, not everyone on Wall Street was convinced that the Fed would decide to raise rates or not to raise rates. Some analysts believed the Fed would not review its monetary policy stance until it had seen the latest employment figures, due on Friday.

Week dollar, Page 18; International bonds, Page 19; World stocks, currencies and London stocks, Section II

Alcatel chief hits at probe

Continued from Page 1

In 12 days in connection with a fraud investigation.

According to Mr Guy Denet, Mr Suard's lawyer, the investigation into the Alcatel chairman was focusing on around FF700,000 of work done at his private properties. About FF400,000 relates to personal work, including the refitting of bathrooms and a kitchen.

The investigating judge claims that Mr Suard had underpaid for the work, performed by suppliers of the group, a claim which is rejected by the Alcatel chairman.

The investigation is also examining payments for FF300,000 relating to security work at Mr Suard's properties, which was paid for by Alcatel. The company says all of the work, which totalled FF3.2m, was justified by professional standards.

Company officials said it was in line with government guidelines on security measures following the assassination of Mr René Fauriol, the former head of Renault, the international automobile group, in 1986.

Mr Suard dismissed the probe as "banal", but expressed fears that it could hurt the reputation of Alcatel on international markets. He also expressed concerns about how news of his detention on Monday had spread in the financial markets, calling for an inquiry by the Commission des Opérations de Bourse, the French stock exchange watchdog.

Mr Suard's detention prompted a sharp fall in Alcatel's share price, which fell more than 11 per cent on Monday. Yesterday, however, the company's shares regained much of the loss, closing up 5.7 per cent at FF572.

China plans curbs on foreign films

By Tony Wilson in Beijing

China signalled yesterday that imported films will be limited to 30 per cent of its movie market, claiming that the restriction was to protect its film industry and not to shield citizens from foreign influences.

The official China Daily quoted Mr Li Wenbin, an official of the Ministry of Culture, Film and Television, as saying that foreign films would be subjected to "more rigorous screening".

Mr Li said the restrictions were aimed at excluding "foreign culture". The intention, he said, was to "protect and develop the national movie industry", although foreign makers would not be entirely excluded.

"Co-production of films with foreigners can survive [the new rules] if the principle of mutual benefits is observed," he was reported as saying.

Over the past year, the Chinese authorities have become increasingly sensitive to films that have reflected negatively on the role of the Communist party. The acclaimed *Forbidden City* was heavily censored, and the party in a poor light.

A film co-production of the Cultural Revolution, *Life and Death in Shanghai*, has also been put on hold, apparently because of its negative official review.

The proposed rules, which will be implemented by the end of the year, include a ban on satellite dishes without a permit. However, attempts to curtail the spread of dishes appears to have had mixed results.

The country's film industry, heavily protected for many years from foreign competition, has recently been obliged to compete with imports, particularly from Hong Kong.

According to the new rules, co-production deals, the main avenue for foreign film makers operating in China - will be limited to 30 a year. "Film co-production will be well received so long as they are of fine artistic taste and sell well," said Mr Li.

Hope for accord over EU presidency

Continued from Page 1

the other four being mentioned in London are Mr Ruud Lubbers, the outgoing Dutch prime minister who failed to muster enough votes at the Corfu summit; Mr Hans Van den Broek, the Dutch

commissioner in charge of external political affairs; Mr Romano Prodi, present Italy's prime minister; and Mr Poul Schlüter, the former Danish prime minister.

Britain is unwilling to give

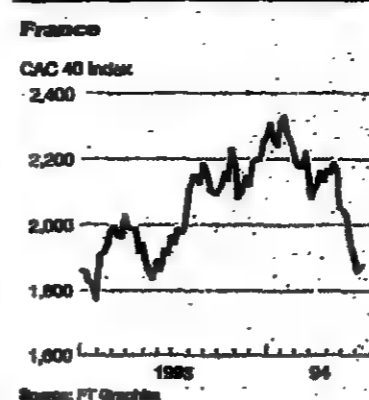
public support to any individual candidate for fear of a backlash from other EU governments in the wake of Mr Major's decision in Corfu to veto the candidacy of Mr Jean-Luc Dehesse.

It is clear that Britain's first preference is Mr Amato.

THE LEX COLUMN

Seven sisters slimming

FT-SE Index: 2965.0 (-5.4)



Texaco's cost-cutting plan is a sign of just how hard oil companies are having to work to earn a decent return from their assets. Most majors, including Texaco, made returns on capital of 8-10 per cent last year. Economic recovery throughout the industrialised world and the recent rebound in crude prices will boost these returns, but not sufficiently to cover the long-run cost of capital over the economic cycle.

So the majors are having to take an axe to their costs. Most, apart from Exxon, the industry's master of cost control, have plenty of fat to trim. Companies became bloated in the 1970s and the early 1980s when crude prices were high. Texaco's package of job cuts, asset write-downs and "delaying" is designed to cut overheads by \$300m a year, the company's biggest reorganisation since it was forced into Chapter 11 in the late 1980s. Mobil, Chevron and Amoco have all made similar moves to slim down. BP, which is close to reaching its target of cutting operating costs by \$1bn a year, is about to kick into the second phase of its restructuring plan which involves cutting another \$1bn of costs.

In the short term, the restructuring wave will deliver improved returns. But in the medium term, competition will prevent cost-cutting translating into wider margins. A leisurely approach to restructuring, such as that adopted by Shell, will not be enough to earn good returns. Only companies that constantly strive to improve efficiency will move ahead. Cost-cutting looks like becoming a permanent industry feature.

diff a chance to buy shares on the cheap. Political rows and corruption scandals are unlikely to knock corporate earnings. Significantly, perhaps, the savings of Alcatel's shares on Monday was followed by a sharp rebound the following day. The French economy also appears to be coming good. The statistics office yesterday confirmed industrial production had risen 2.1 per cent in April. That may have owed much to a fiscal stimulation package revving up the car market in particular. But many other industrial groups, which have squelched away provisions during recession, could well produce some surprisingly good earnings gains.

South Africa

Mr Derek Keys looks sincere in maintaining that there is no policy motivation behind his resignation as South Africa's finance minister. Just the same, his departure is a further blow to hopes for political reform would lead to large-scale investment inflows. Mr Keys, who is widely respected internationally, remains at the helm of the Reserve Bank, but he has no influence over fiscal policy. Doubtless there will be a quick search for a new finance minister with international appeal. But it is hard to imagine Mr Keys' successor wielding the same clout in cabinet on the budget, and an ability to keep public spending under control is crucial to South Africa's economic stability.

In theory South African equities represent good value. A historic price/earnings multiple of around 19 is low both by general emerging market standards and for a country on the thresh-

old of a cyclical earnings recovery. Similarly bonds offer attractive real returns in yields this year. But while the political uncertainty continues, enthusiasm is likely to remain muted. It would help if higher prices for minor metals like palladium spilled over into the dollar price of gold. Extra prosperity would make the politicians' task easier too.

British Rail

Yesterday's figures from British Rail are something of a curiosity. This year's results will be transformed as it starts to pay Railtrack service charges in place of its own direct costs. But whichever way the cake is cut, the \$350m gulf between operating costs and revenue will have to be narrowed if privatisation is to be a success. While the 1 per cent reduction in costs last year points the way ahead, today's figures are a reminder of the countervailing pressures.

Of course, it is possible savings matching those in privatised industries can be achieved. But to revive the railways, franchise operators will also have to do better at drumming-up business than BR's current management. The average fare per mile increased 6.5 per cent last year, yet passenger revenue rose by less than 3 per cent. Passenger miles have now fallen 10 per cent over the last five years. Although recession played its part, rail shows no sign of reversing its long-term decline in market share.

BR's response has been to raise prices to peak commuter levels, where it has a captive audience, and use promotional activity to fill off-peak trains. Given the mixed results of that pricing strategy, the time may have come for some Branson-style innovation.

Takeover rules

Last week's purchase by Enterprise of its 10 per cent stake in Lasmo may well have been within the rules of the takeover code. But that only goes to show that the rules need changing. A system that allowed Enterprise to acquire a large shareholding up to 1999 for their Lasmo shares when the most common could reduce in the market and is instantly discriminatory. Members of the Takeover Panel are pushing to change the rules. All power in their ability.



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FT WEATHER GUIDE

Europe today

Temperatures in many parts of Europe will return to seasonable levels, although tropical conditions will continue over the Balkans, Greece, Italy and Spain. The British Isles, the Low countries and northern parts of France will be cloudy with a few showers and temperatures will reach 20°C. Summer conditions will prevail over northern Europe, especially Norway and Sweden where there will be plenty of sunshine and temperatures at around 25°C. Finland will be cooler as a result of a depression over north-western Russia. The Alps will have some thunder showers, especially during the afternoon and evening but these will not be as heavy as on Monday.

Five-day forecast

After cooler conditions, temperatures in western Europe will rise. Temperatures for the British Isles and the Low countries will range between 18°C and 23°C. Southern Europe will remain warm, while a westerly air flow will bring cooler conditions to northern Europe. Norway will become considerably cooler.

TODAY'S TEMPERATURES

Location	Max	Min	Weather
Abu Dhabi	31	27	sun
Accra	31	27	sun
Algiers	31	27	sun
Amsterdam	18	14	cloudy
Athens	31	27	sun
Atlanta	31	27	sun
Bahia	31	27	sun
Bangkok	31	27	sun
Barcelona	31	27	sun
Bombay	31	27	sun
Buenos Aires	31	27	sun
Calcutta	31	27	sun
Cairo	31	27	sun
Cape Town	31	27	sun
Cardiff	18	14	cloudy
Cebu	31	27	sun
Colon	31	27	sun
Dakar	31	27	sun
Dallas	31	27	sun
Darwin	31	27	sun
Dubai	31	27	sun
Dublin	18	14	cloudy
Edinburgh	18	14	cloudy
Faro	31	27	sun
Frankfurt	18	14	cloudy
Geneva	18	14	cloudy
Glasgow	18	14	cloudy
Hamburg	18	14	cloudy
Helsinki	18	14	cloudy
Hong Kong	31	27	sun
Honolulu	31	27	sun
Isle of Man	18	14	cloudy
Jakarta	31	27	sun
Jersey	18	14	cloudy
Karachi	31	27	sun
Kuala Lumpur	31	27	sun
La Paz	31	27	sun
Las Palmas	31	27	sun
Lima	31	27	sun
Lisbon	31	27	sun
London	18	14	cloudy
Lucembourg	18	14	cloudy
Lyon	18	14	cloudy
Madrid	31	27	sun
Manila	31	27	sun
Mexico City	31	27	sun
Miami	31	27	sun
Moscow	18	14	cloudy
Munich	18	14	cloudy
Nairobi	31	27	sun
Nassau	31	27	sun
New York	31	27	sun
Nice	31	27	sun
Nicosia	31	27	sun
Oslo	18	14	cloudy
Paris	18	14	cloudy
Perth	31	27	sun
Prague	18	14	cloudy
Rangoon	31	27	sun
Reykjavik	18	14	cloudy
Rio	31	27	sun
Rome	31	27	sun
S. Francisco	31	27	sun
Singapore	31	27	sun
Stockholm	18	14	cloudy
Swansea	18	14	cloudy
Taipei	31	27	sun
Tel Aviv	31	27	sun
Tokyo	31	27	sun
Toronto	18	14	cloudy
Vancouver	18	14	cloudy
Verona	31	27	sun
Vienna	18	14	cloudy
Warsaw	18	14	cloudy
Washington	31	27	sun
Wellington	18	14	cloudy
Winnipeg	18	14	cloudy
Zurich	18	14	cloudy

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INTERNATIONAL COMPANIES AND FINANCE

Topdanmark expects to slide back into the red

By Hilary Barnes
in Copenhagen

Topdanmark, the Danish insurance and finance services group, expects to slip back into the red this year with a loss approaching DKK200m (\$31.93m). It returned to profit in 1993 following two years of losses.

The latest loss has been caused by provisions totalling DKK263 made by a new management team brought in last spring.

The provisions cover losses at Aktivbanken, the group's German banking subsidiary, and property losses in the US, said Mr Kaj G. Schou, chief executive.

The group has also suffered this year from falling bond and share prices. Mr Schou said the

group would make a profit in the second half - of between DKK75m and DKK125m - but there would be loss of almost DKK200m for the full year.

Topdanmark made a profit of DKK85m in 1993. Its losses in 1992 were DKK107m.

Topdanmark stressed that the group's core insurance business was going well. Topdanmark is part of Euroto, the European insurance alliance between Friends Provident of the UK, AVCB of the Netherlands, Wams of Sweden, and Occidental of Portugal. Euroto holds a 32 per cent stake in Topdanmark.

The group's poor performance for several years dates back to the acquisition of Aktivbanken, a Danish regional bank, in 1989. The main Danish assets of

Aktivbanken were sold to Syd-banken in 1993.

The acquisition cost Topdanmark DKK1.4m, and the bank then went on to lose DKK81m in the next four years. This has left the group with a funding problem. It has some DKK1.5m in loans which have to be renewed in 1995 and 1996.

Leading Danish institutional shareholders rebelled earlier this year, announcing that they would not subscribe to any new equity issue made by Topdanmark.

Their action forced the resignation in March of Mr Henning Birch, chief executive for the previous eight years.

The chairman of the supervisory board, Mr Oluf von Lowzow, resigned a month later.

Gomez to be reconfirmed as Thomson president

By David Suchan
in Paris

The French government yesterday reconfirmed Mr Alain Gomez as president of Thomson, the electronics group, making him the longest-serving current head of a French state-owned company.

However, Mr Gomez will have to accept Thomson-CSF's share in the operating losses and had-debt provisions of Crédit Lyonnais, the state-controlled bank.

Thomson-CSF, the group's defence electronics arm, has a 21 per cent stake in the bank.

Mr Gomez's 1993 results today. These have been delayed because Thomson-CSF has had to take its FF1.15m (\$200m) share of Crédit Lyonnais losses and assess what provisions to make to cover possible losses on the bank's property loans.

The latter have been lifted off into a special company, with possible losses up to FF12.5m to be covered by the state, and thereafter by Thomson-CSF up to FF1.5m.

According to some reports yesterday, Thomson-CSF is to provide for the entire FF1.5m liability in its 1993 accounts.

This would increase its loss to FF2.2m and Thomson's group loss to FF3.8m.

Mr Gomez's willingness to let Thomson stand guarantee for Crédit Lyonnais's had debts as well as to help absorb its loss is said to have induced Prime Minister Edouard Balladur to keep him on.

Mr Gomez has headed Thomson since 1982. To clarify the legal doubt over whether he could serve any longer, the government is passing a parliamentary amendment.

Yesterday the government reconfirmed Mr Gomez to the Thomson board, and is expected shortly to make a Cabinet announcement extending his term as president.

However, the industry and defence ministers want Mr Gomez, a socialist appointee, replaced, and may yet get their way if the group is privatised next year.

Mandarin Oriental may quit HK SE

The group will keep its Asian commitment, writes Michael Skapinker

The board of the Mandarin Oriental hotel group is likely this autumn to decide to stop trading its shares on the Hong Kong stock exchange.

In May, the group took over the management of the Ritz in London, its first foray into Europe, and it is looking for other European hotels.

Mr Robert Riley, Mandarin Oriental managing director, insists that none of these moves suggested the group was planning to reduce its commitment to Asia before China resumed sovereignty of Hong Kong in 1997.

Mandarin Oriental's headquarters will remain in Hong Kong after 1997, he says. While the group wants to expand in Europe and elsewhere, it expects the bulk of its business to remain in Asia. Mr Riley says he is looking for opportunities in China.

It is as seems probable, the group does delist its Hong Kong shares, it will merely be following the lead of Jardine Matheson, which owns 51.5 per cent of Mandarin Oriental.

Jardine announced in March it would cease trading its shares in Hong Kong at the end of this year. It had been unable to persuade the Hong Kong Securities and Futures Commission to give up its regulatory control, and allow Jardine to be supervised by the authorities in Bermuda, where it is incorporated.



Robert Riley: looking for opportunities in China

Mandarin Oriental is also incorporated in Bermuda, and, like Jardine, has its primary stock exchange listing in London.

Mr Riley says: "I think it is likely that they are familiar with the legislative process and tradition of Great Britain. We will have similar issues to Hong Kong, China and Asia."

Nevertheless, the group, founded in Hong Kong in 1963, is energetically expanding beyond its Asian base. It runs 10 hotels in Asia and one in San Francisco; it will operate a luxury hotel being developed in Mexico City; and the group would like other hotels in western European cities to complement the Ritz.

Mr Riley says, however, that there are limits to how much the group wants to expand outside Asia. It is not keen, for example, to run hotels in eastern Europe, because these would be too difficult to manage from Hong Kong.

He says: "We can tackle the emerging markets in Asia with more confidence than those in eastern Europe."

But strong competition elsewhere in Asia resulted in occupancy falling in Manila and Bangkok and although occupancy rose in Jakarta and Singapore, room rates fell.

Mr Riley says that there are signs of European and Japanese visitors coming back to Bangkok, although business has not returned to the level of four years ago.

The market in Singapore also appears to have stabilised and visitor numbers may be boosted by a new convention centre, which is due to open there next year.

In Jakarta and Manila, however, the group still faces stiff competition, he says.

The group has just signed an agreement to help restore the historic hotel, a historic property in Surabaya, Indonesia, which it will run when it reopens in 1995. It has also taken a 25 per cent interest in a new Mandarin Oriental in Kuala Lumpur, which is expected to open in 1997.

Despite its experience of the region, however, the Asian market, apart from Hong Kong, has not proved easy for Mandarin Oriental over the past few years. Group pre-tax profits last year were US\$48m, slightly lower than the 1992 figure of \$48.1m and well down on the \$61.4m the group earned in 1989.

Hong Kong, where the group runs the Mandarin Oriental and the Excelsior, enjoyed an increase in room rates and occupancy. The group's performance in Hong Kong was boosted by an increase in visitors to the territory, while the supply of rooms remained static.

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Receivers warn on Broadgate

By Andrew Taylor
and Simon Davies in London

Receivers to one of the partners in Broadgate, London, a property joint venture, have said they will fight attempts by British Land to acquire its developments cheaply.

Mr Roger Oldfield, joint receiver of the properties at Rosehaugh, one of two Broadgate partners, said yesterday: "We have a strong position and I am not going to allow British Land's chairman, or anybody else, to get their hands on some of London's most valuable assets at less than a full price."

His warning follows the acquisition by British Land in February of a 29.9 per cent stake in Stanhope Properties, which owns a per cent of Broadgate Properties, developer of two of the capital's largest office schemes, valued in excess of £1bn (\$1.5bn).

Rosehaugh, which owns the other 50 per cent of Broadgate, went into receivership in December 1992. British Land has transferred its Stanhope stake to the £500m British Land Quantum Property Investment fund, formed last year with Mr George Soros, the US investor.

British Land would not comment on the state of negotiations.

However, it has made no secret of its intention to implement a restructuring which would give the fund 100 per cent of the Broadgate Centre and the Ludgate office developments, and leave Stanhope's existing management with a less indebted business.

The banks, which are still owed £280m by Rosehaugh, also lent large sums to Stanhope and Broadgate.

Mr Oldfield said that he had received strong support from Rosehaugh's bankers when he met them last month to outline the receiver's position on the recent events at Stanhope.

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Universale posts Sch607m deficit

By Ian Rodger in Zurich

Universale-Bau, a troubled Austrian construction group, reported a Sch607m (\$64.07m) loss for 1993 as a result of heavy losses by operations in eastern Germany and Hungary.

No dividend is being paid in respect of 1993, compared with a 20 per cent payment for 1992. The loss, which compares with a profit of Sch108m in 1992, was largely covered by liquidating reserves of Sch605m. Revenues rose to Sch7.1bn from Sch7.1bn.

Universale, a per cent owned by Creditanstalt-Bankverein, sacked its chief executive, Mr Josef Vitek, and two other directors in January following the deterioration of its activities in eastern Germany and Hungary.

Operating results fell last year to Sch10m from Sch108m in 1992. Mr Reinhold Stassenbacher, the new chief executive, said yesterday in Austria made a small operating profit.

Mr Stassenbacher has forecast that the group would break even in the current year, although the Hungarian and German operations will remain in loss. He said the group could see a turnaround in these operations and would not

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UK takeover rules face review

By Norma Cohen and David Wighton in London

Non-executive members of the Takeover Panel, the UK's independent body that supervises acquisitions, will press for a review of rules governing cash share purchases during hostile takeover bids. The move follows the announcement by Enterprise Oil's failed bid for the oil exploration group.

The question is whether an offer making an all-paper bid should be allowed to buy 10 per cent of the target's equity for cash in the market. It is not clear that this is in the public interest, a panel member said. If the cash bid appears more

attractive than the existing paper bid, it should not be allowed unless all shareholders have equal opportunity to take advantage of it, he said.

The call for the review was made by S. G. Warburg, a partner in the law firm of S. G. Warburg, which offered a few of Lasso's largest shareholders the opportunity to sell their shares for cash in the last days of a hostile bid. It purchased just under the 10 per cent of the company allowed by the Takeover Code under such circumstances, but the bid failed by a wide margin.

However, the method of the share purchase was highly unusual in a takeover bid. Typically, the bidding company's

broker will make a general cash offer for shares to the market and purchase them from tenderers on a pro-rata basis. Yesterday, the London Stock Exchange said it had received complaints about the deal, and that a committee would meet today to consider whether Warburg acted properly.

Swiss Bank Corporation is said to have been the complainant.

The complaint says under London Stock Exchange rules, its pre-existing limit orders lodged with Warburg's market-making arm to sell Lasso shares to Enterprise Oil should have been satisfied first.

Enterprise Oil, which is owned by the Swiss Bank, is said to have been the complainant.

Hoechst to set up drugs joint venture in China

Hoechst, the German chemicals group, is to set up a pharmaceuticals joint venture with the North China Pharmaceuticals Corporation, Beier reports from Frankfurt.

Hoechst said it would own 50 per cent of the venture which would have total capital of DM58m (\$23.3m).

NPCPC is one of China's largest pharmaceutical producers. The venture will involve distribution and sale of medicines.

Hoechst said NPCPC would market selected Hoechst products until the joint venture's projected drug production facilities come on line at the beginning of 1996.

NEW ISSUE

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JULY 1994

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INTERNATIONAL COMPANIES AND FINANCE

US computer network groups in \$1.1bn link-up

By Martin Dickson in New York

Wellfleet Communications, the second-largest US manufacturer of routing devices to link computer networks, yesterday announced a \$1.1bn merger with SynOptics Communications, a leading supplier of computer network switching and management systems.

The two described the deal as a "merger of equals" between companies sharing a common vision of open, standards-based network solutions. They claimed it would position them to move customers to a new generation of high-performance networks.

However, the news sent Wellfleet's shares down 3% to \$21.4, while SynOptics dropped 5% to \$15.5 in morning trading in New York.

Under the deal, which the companies expect to complete in October, SynOptics will receive 4.1% of a share of Wellfleet stock for each Wellfleet share.

At yesterday's share prices,

the deal values SynOptics at around \$1.1bn.

Mr Paul Severino, president of Wellfleet, will become chairman of the combined group. Mr Andrew Ludwick, president and chief executive of SynOptics, will take on the same role at the new business. There will be four additional members of the board, two from each company.

Mr Ludwick said the two companies had complementary technologies and products, while their manufacturing, service and support systems, customer base and channels were also compatible.

In conjunction with the merger announcement, the companies said they would develop an end-to-end, standards-based architecture. The key to this would be jointly-developed new products which combined both routing and switching technologies.

SynOptics had net profits last year of \$94m on sales of more than \$700m. Wellfleet had revenues of \$333m in the 12 months to March.

New equity issuance in Canada falls 12.5%

By Robert Gibbons in Montreal

The value of new Canadian equity issued in the first half of 1994 fell 12.5% to \$12.37bn (US\$8.92bn), down 12.5% from \$13.95bn a year earlier, in spite of a surge in initial public offers early in the year.

The decline was mainly due to the sharp fall-off in new preferred stock issues, which dropped to \$472m from \$1.83bn a year earlier.

New equity issues reached a record \$345.4m in 1993, and 1994 started out strongly, said the Financial Post Data Group.

The first-quarter total was \$175.5m, but rising interest rates and a faltering stock market led to a setback in the second quarter, for which the total was \$156.3m.

IPOs were again the big factor during the first half of this year, led by a \$175m issue by Falconbridge, the nickel producer.

New issue activity is likely to remain slow until September, said Mr Fred Ketchen, director of equity trading at ScotiaMcLeod in Toronto.

"The volatile stock markets and higher interest rates tend to push investors towards fixed-income investments, and we expect the second half to trail the first half," said Mr Rocco d'Angelo, consultant with the Investment Dealers' Association of Canada.

Cimpor float raises Es39.6bn despite gloom

By Peter Wise in Lisbon

A public offering of 20 per cent of Cimpor, Portugal's largest cement producer, was 4.8 per cent oversubscribed, officials said yesterday. The privatisation on the Lisbon stock exchange raised Es39.61bn (US\$11.5bn).

Employees and small savers bought 33 per cent of the 14m shares on offer, at discounted prices of Es2,600 and Es2,700 respectively. The fixed price for other investors was Es2,900. Foreign investors purchased \$2 per cent of the offer.

"The operation was a success for the government, considering the depressed condition of the market," said a Lisbon stockbroker. "But an oversubscription of only 4.8 per cent is not enough to create an active after market in Cimpor shares."

Lisbon market analysts said the interest from foreign investors was below expectations. They attributed this partly to the gloomy climate of world

stock markets, and to the early pricing of the Cimpor offer.

"Since the price of the Cimpor operation was fixed two months ago, the Portuguese market has fallen 15 per cent," said a Lisbon dealer. "Pricing the offer two or three days before the sale would have ensured that the price reflected market conditions."

However, the government was determined to attract small investors to the first offering to embody its recently-revived policy of advancing "popular capitalism". Its aim is to disperse the capital of privatised companies and stimulate stock market activity.

Cimpor now has 14,128 private shareholders, of which 246 are foreign. Employees own 0.94 per cent of the company's total capital, while small investors hold 5.66 per cent.

A further 20 to 25 per cent is to be sold on foreign stock exchanges later this year, followed by the privatisation of another 20 to 30 per cent in Portugal in 1995.

Mercer boosts paper assets in Germany

By Bernard Simon in Toronto

International Paper Company, a US-based multinational group, has bought Germany's Zellstoff und Papierfabrik Rosenthal (ZPR), whose main asset is a large pulp mill in Thuringia, eastern Germany.

The mill, upgraded in 1982 to produce chlorine-free sulphite pulp, has a capacity of 100,000 tons a year. ZPR's sales were US\$54m last year.

Mercer will pay the Treuhand, the agency in charge of privatising businesses in eastern Germany, a nominal price. It will provide a \$12m loan to ZPR, which has agreed to employ at least 350 people and spend \$45m on capital improvements over the next five years.

The outlays will be financed mainly by German government incentive programmes.

Barclays quits Virgin Islands

Barclays Bank has withdrawn from the US Virgin Islands, selling the bulk of its business to Bank of Nova Scotia, writes Bernard Simon.

Terms were not disclosed, but ScotiaBank said yesterday the deposit liabilities and loan portfolio it had bought each amounted to about US\$100m. The deal also includes a Barclays branch in St Thomas.

Scotiabank now has four branches in St Thomas and four in St Croix, as part of an extensive presence in the Caribbean.

Cimo purchase close

ABN Amro will finalise its purchase of Milan stockbroker Cimo this week and said it would take majority control in September. Reuters reports from Amsterdam.

The Dutch bank agreed in principle in March to buy a stake in Cimo, part of a strategy to expand capital market activities in Italy.

Cimo, an important broker in Italian equity and fixed income markets, has 70 staff.

Steel unit venture

Wheeling Pittsburgh's steel unit has signed a letter of intent for a 50-50 joint venture with Ispat Group, part of the Mexico-based steel manufacturer Ispat Mexicana, AP-DJ reports from New York.

The venture will purchase steel slabs from Ispat Group. Wheeling-Pittsburgh Steel will convert these into finished hot-rolled products.

NEWS DIGEST

Swiss group sells plant

Grupo Cementos de Chihuahua has bought a cement manufacturing plant in Tlaxcala, New Mexico from Holman, a unit of Holderbank, the Swiss-based cement and aggregates group, for \$42m, AP-DJ reports from Mexico City.

Cementos de Chihuahua said the plant would be paid for partly by cash, partly by long-term credit.

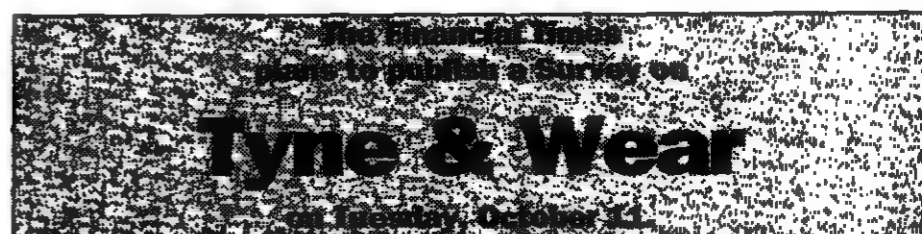
The purchase includes a plant that produces Portland cement with production capacity of 500,000 metric tonnes annually. The plant includes "raw material reserves which should last for more than half a century." The cement facility, including the quarry, covers 263 acres, about 20 miles east of Albuquerque, New Mexico.

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FT Surveys

Carrefour

SALES, TAXES INCLUDED AS OF JUNE 30, 1994

	June 1994 (in FF millions)	% June 94 June 93	6 months ended June 30, 1994 (in FF millions)	% June 94 June 93
GROUP SALES	11,756	5.1	69,276	6.4
FRANCE	7,662	1.6	44,722	2.5

On June 1st, Carrefour Brazil opened its 31st store at Brazil (117,502 square feet).

CORRECTION NOTICE



SEOUL INTERNATIONAL TRADE FAIR '94 (SITRA '94)

SITRA '94: A Window of Opportunity

Seoul International Trade Fair (SITRA) is Korea's largest international fair and one of the most exciting and dynamic events in Asia.

It will attract over 1,000 exhibitors and 50,000 business visitors. It is expected to generate US\$ 1 billion of new business.

Since its inception in 1982, SITRA has proven to be an attraction that business cannot resist.

DATES	27 September - 1 October 1994
VENUE	Korea Exhibition Centre (KOEX), SEOUL, KOREA
SIZE	100,000 Square Meters
ORGANISER	Korea Trade Promotion Corporation (KOTRA)
SPONSOR	Ministry of Trade, Industry & Energy
MINIMUM SPACE	100 sqm (€750)
CONCURRENT EVENTS	Gift Fair (SIGIFT '94), Jewellery & Watch Fair (JEWELEX '94), Toy Fair (SITTOY '94), Furniture Show (IOFFA '94)

For further information, please contact:

Korea Trade Centre, London (KOTRA)
Vincent House, Vincent Square,
London SW1P 2NB
Tel: (071) 834 5082 Fax: (071) 630 3333

TENDER NOTICE
UK GOVERNMENT
ECU TREASURY BILLS

For tender on 12 July 1994

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 July 1994. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalization Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 14 July 1994 and will be in the following maturities:

ECU 200 million for maturity on 11 August 1994
ECU 500 million for maturity on 13 October 1994
ECU 300 million for maturity on 12 January 1995

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 July 1994. Payment for Bills allotted will be due on Thursday, 14 July 1994.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESC, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 14 July 1994 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyd Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1993, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalization Account will be for maturity on 12 January 1995. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
12 July 1994

All of these securities have been sold. This announcement appears as a matter of record only.

Issue/June 22, 1994

\$1,500,000,000



Fannie Mae

Federal National Mortgage Association

Global Debt Offering
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Merrill Lynch & Co.

J. P. Morgan Securities Inc.

Bear Stearns International Limited	CS First Boston	Deutsche Bank AG London
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Morgan Stanley & Co.	Nomura Securities	PaineWebber Incorporated
Salomon Brothers Inc.	Smith Barney Inc.	UBS Limited
	S.G. Warburg Securities	

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The following information is provided for the indices on the above numbers:

The FT-SE 100, 250 and 350 constituent lists are updated every evening, listing constituents in alphabetical order and including: EPIC and SEDOL codes, share weighting in millions of shares, closing prices, market capitalization and industry sector description numbers as in the Daily Official List.

The FT-SE Eurotrack 100 and 200 constituent lists are also updated every evening, with constituents ranked by country order, the currency of price quotation, EPIC codes, exchange rates against the US\$, share weighting in thousands of shares, closing prices and market capitalization in 000's DM and percentage weighting of each stock.

The FT-SE Actuarial Notices are updated whenever a notice is issued. The information will normally contain the latest quarterly review details, including constituent changes for the UK and Eurotrack Series as well as any industry classification changes. Any press notices issued by the FT-SE Actuarial Share Indices Steering Committee between quarterly reviews will also be included.

The FT-SE 100 Sensitivity Analysis shows for each FT-SE 100 constituent the effect on the index value for a range of stock price movements. The constituents are ranked in alphabetical order.

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Gencor delays announcement of Shell mines deal

By Kenneth Gooding,
Mining Correspondent

Gencor, the South African mining and metals group, has postponed the announcement, planned yesterday, of details of its long-awaited US\$1bn deal to buy the Royal Dutch/Shell group's mining and metals operations.

However, Mr Bernard Smith, Gencor's new business director who has been leading the team negotiating with Shell, was quick to assure the market that the talks were still on course. "We still have some issues to settle but none is substantive at this stage. The heart of the deal is in place," Mr Smith said.

Meanwhile, it emerged yesterday that Gencor had raised about US\$300m towards the deal from the sale of its stake in Transatlantic Holdings, the London-listed life insurance and property group owned by Liberty Life of South Africa. Gencor owned 8.4 per cent of Transatlantic, including its holding of convertible shares.

The South African group has arranged to raise more money for the acquisition from a con-

sortium of European banks.

Gencor shed its non-mining and metals businesses in South Africa when it unbundled its assets there last November. The deal with Shell, to buy assets mostly under the Billiton banner, is intended to make Gencor an important force in international mining. Gencor originally intended to acquire the Billiton assets - which, when the deal was first proposed a year ago, were worth about US\$1.5bn - and merge them with its own operations outside South Africa as well as its R1.5bn (941m), 50 per cent stake in Richards Bay Minerals in South Africa. The combined group would then have been listed in London. Gencor was considering partners to help with the deal.

In the past year, Shell has decided to sell some of its mining operations separately - which will reduce the value of the deal. There were suggestions yesterday that Shell might retain a minority stake in Billiton.

However, difficulties have apparently arisen over the transfer of the Richards Bay stake from South Africa to the new company.

MRCB wins go-ahead for \$1bn rail project

By Christine Hill
in Kuala Lumpur

Malaysian Railway Corp (MRCB), a Malaysian conglomerate involved mainly in the property, media, and power sectors, has been given the go-ahead to develop the country's Brickfield Central Station Project, an investment thought to be worth about US\$1bn.

The deal will give MRCB rights to develop land, currently state-owned, in an undeveloped area of Kuala Lumpur. The project will include a railway terminal, airport shuttle services, a terminal for light rail transit and bus and taxi connections. Offices, retail space and hotels are also planned.

Financial details are subject to further negotiation between

the government and MRCB, which has close ties with Malaysia's deputy prime minister and his minister, Mr Anwar Ibrahim.

Analysts were pleased to see progress in the government's privatisation programme.

They said that privatisations have been delayed by two to three months by infighting between Mr Anwar and his influential predecessor, Tun Dr Mahatir.

However, some were concerned about the lack of any publicly available blueprint for the capital's transport system, and questioned whether there was any co-ordination among the private transport operators.

Newcrest to accept courts' rights finding

By Nikki Tait in Sydney

Newcrest Mining, the Australian goldminer, has decided not to launch an appeal against a decision in the Western Australian courts, which found that it did not have pre-emptive rights over shares in the Boddington gold mine.

The question had arisen when Reynolds Metals wished to sell its 40 per cent interest in the mine to Poet Gold, part of Mr Robert Champion de Crespigny's

Normandy Possession group. Newcrest, which holds a 20 per cent interest in the mine, said that it believed "there are reasonable prospects that the decision may have been overturned on appeal", but that "such a result is not beyond doubt". It said that the decision not to appeal was "the reasonable and pragmatic decision to take in light of all the circumstances".

Newcrest's decision was welcomed by PoetGold, which said that the Reynolds purchase would be completed soon.

Wine industry with growing pains

One of Australia's top export sectors is coming of age, writes Nikki Tait

Draw up a list of high-growth businesses in Australia, and the country's wine export industry would be close to the top. But anyone who imagines that this results in unfurrowed brows and laconic relaxation in prime wine-growing districts, such as South Australia's Barossa Valley or New South Wales's Hunter region, would be mistaken.

The industry is young - at least in international terms - and beset with growing pains. It has ambitious growth targets, most notably a tripling of export sales to about A\$1bn (US\$750m) by the turn of the century.

But if the industry is to meet these objectives, it needs to achieve a sharp expansion in grape supply and processing capacity, which will require investment dollars.

This, in turn, has prompted a restructuring. On the one hand, several Australian wine companies have headed to the stock market, bolstering their capital through share issues and flotations. In just two years, a meaningful quoted wine sector has been created, comprising nine companies and with a total capitalisation (including Southcorp, which also has non-wine interests) of A\$2bn.

On the other hand, there has been steady concentration within the industry and a large amount of foreign investment. France's Pernod-Ricard, for example, controls the Orlando Wyndham group, and Moët has a winery in Victoria.

Few analysts think that these moves will result in "We foresee winery ownership and control of output... becoming increasingly concentrated," commented Ms Kiera Grant, at Hambros Equities, in a recent industry review.

"A majority of the existing small inefficient wineries will struggle to return to a profit [and] will be replaced by larger, highly capitalised, strongly integrated and highly technical companies, whose commercial focus will be evenly divided between domestic and overseas markets."

The review concluded. This coming-of-age process can be traced back to the mid-1980s. Wine-growing in Australia is almost as old as European settlement - the first grapevines were planted in 1788 - but it was only a decade ago that the industry discovered the export market.

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INTERNATIONAL CAPITAL MARKETS

Treasuries little changed ahead of Fed meeting

By Patrick Harrington
in New York and Graham
Bowlby in London

US Treasury prices were little changed yesterday morning as dealers and investors waited on the sidelines for the results of the Federal Reserve's open market committee meeting.

By midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at 84 $\frac{1}{2}$, yielding 7.594 per cent. The two-year note was also slightly firmer, up $\frac{1}{8}$ at 99 $\frac{1}{2}$, to yield 6.118 per cent.

The market reopened after the July 4 holiday with all eyes on the Fed. The recent fall in the dollar has put pressure on the central bank to take action to protect the US currency, and some analysts were predicting that the FOMC would decide at its meeting to raise interest rates.

Nervousness about such an

outcome was behind an early retreat in bond prices, but the losses were modest and by the end of the morning Treasuries had returned to positive territory. The stability of the dollar also helped the recovery.

The consensus on Wall Street remains that the FOMC will not change its stance on monetary policy just because of the dollar. If, however, the June employment report, due to be released on Friday, shows further strengthening in the economy, analysts say the Fed might decide to raise rates again in time for the start of growth.

European government bond markets fell back yesterday in thin, nervous trade as investors waited for the outcome of the FOMC meeting.

Remarks by J. J. Sheahan, that there would be no move by the

Group of Seven leading industrial nations to support the weak US dollar at their weekend meeting also put downward pressure on markets.

"Most investors are sidelined, looking for some reassurance that US rates are not moving upwards too far and

GOVERNMENT BONDS

too quickly and that rates in Europe are still on a downward course," said Mr Neil Williams of UBS. "If no signal has come by Monday, after the G7 summit, it is likely to be a short-term correction downwards."

Mr Jouni Kokko, international manager at S.G. Warburg, said: "The markets are lower on the prospect of renewed turbulence in the cur-

rency markets, if the Fed does nothing to support the dollar's problems."

UK gilts recovered most of their earlier losses yesterday, largely in relief that no policy statement on interest rates had emerged from the US.

Gilts had fallen sharply in early trade in line with the rest of Europe.

They were unaffected by data showing a rise in house prices in June following two months of decline. They also shrugged off comments from Mr Kenneth Clarke, chancellor of the exchequer, made at a parliamentary select committee hearing on the Treasury's summer forecast.

"Mr Clarke saying that there was no specific growth figure which would cause him to raise rates could have steepened the yield curve, but had

little effect with nervousness about the US dominating," said Mr Mark Williams, economist at S.G. Warburg.

The September long gilt future on Life was unchanged on the day at 100 $\frac{1}{2}$ in late trading.

Attention today will be focused on the setting of rates for the Bundesbank's securities repurchase tender tomorrow.

"Anything less than a four to five basis point cut in the repo rate will be a disappointment and will indicate a slowing in the pace of rate cuts," said one analyst.

The German September government bond contract on Life was down 0.23 points at 81.90 in late trading. The September notional French bond futures contract on Matif closed at 114.2, down 0.9 points on the day.

Thailand acts to tighten rules on share offerings

By Victor Mallet
in Bangkok

Thailand's Securities Exchange Commission yesterday announced new rules governing initial public offerings of stock, in an attempt to broaden share ownership and end corrupt deals involving underpriced shares in newly-listed companies.

The new regulations, which come into effect on Friday, require companies making IPOs to offer at least 10 per cent of the stock to small investors; in the event of a subscription, these shares must be allocated randomly by computer.

Underwriters are allowed to place a limit on the number of their clients and other buyers, provided that the method of allocation has been disclosed in the prospectus.

The SEC said it was not receiving sufficient feedback from this tranche, but ordinary employees were not.

The remaining 10 per cent of the stock to be offered, but again the underwriter and company must be disclosed.

Foreign investors generally have been excluded from the new SEC regulations. "If they can enforce it, it will be really useful," said one Bangkok-based analyst.

Until now, there have been no rules in Thailand about the distribution of shares from IPOs. It has been common practice for companies to practice "selective" allocations to enrich themselves and buy shares from politicians and civil servants by allocating shares at low prices.

"They would price it at a

huge discount, only sell a very small part of the company and then make sure it all went to themselves and their friends," the broker said.

After an IPO of a Thai company, a few shareholders would often control the market in the share and the price up before selling their shares at a large profit.

"There have been a great deal of complaints that small investors can't get their hands on IPOs," Mr Rapee Sucharitakul, SEC spokesman, said yesterday.

"The real objective [of the new rules] is to have a more equitable distribution of shares," he said.

The two-year-old Thai SEC suffered a setback last month when a court acquitted Mr Song Watchararaj - known as Sia ("tycoon") Song - and 11 others of acting in concert to ramp the share price of Bangkok Bank of Commerce, but it is continuing its efforts to improve regulation of the lively Thai stock exchange.

The SEC said yesterday that it was drawing up rules similar to those governing the banking sector to ensure that securities companies had sufficient net capital to do business safely. It said it was likely to be the first IPO to be affected. AP-DJ adds from Bangkok. The company, a subsidiary of the Sahaviriya group, is due to issue shares around July 18.

To meet the definition of "small-scale" under the rules, investors cannot buy more than Bt500,000 worth of an IPO with a total value of Bt1m.

For issues worth up to Bt2m, the limit is Bt1m and for issues larger than Bt2m, the limit is Bt2m, the SEC said.

Activity dominated by clutch of dollar-denominated issues

By Tracy Corrigan

A clutch of dollar bond offerings dominated activity yesterday. Two short-term offerings, one by Sweden's Rabobank, and one by the Swiss Bank Corporation, were the main focus of the market.

The Rabobank's offering, a 30-year government bond, was up $\frac{1}{8}$ at 84 $\frac{1}{2}$, yielding 7.594 per cent. The two-year note was also slightly firmer, up $\frac{1}{8}$ at 99 $\frac{1}{2}$, to yield 6.118 per cent.

The issue appeared unaffected by concerns which hit the Swedish government bond market at the end of last week, when Skandia, the Swedish insurance company, said it would boycott government

bonds because of concern about the handling of the country's debt problems.

The deal was launched at 15 $\frac{1}{2}$ basis points over the comparable Treasury and, by the end of the day, was bid at 17 basis points over the curve.

INTERNATIONAL BONDS

The deal for Rabobank, despite its triple-A rating and the strong attraction of the name in the Benelux region, is likely to take time to attract dealers. The pricing of 8 basis points over the three-year Treasury yield was considered aggressive.

However, lead manager Bank of America pointed out that Rabobank

deals launched earlier this year are yielding substantially less than US Treasuries.

In the sterling market, Australia and New Zealand Banking Group launched a £200m offering of three-year floating-rate notes, via UBS. Although there have been a number of floating-rate mortgage-backed securities in the market recently, there has been little bank FRN paper on offer in the sterling market.

The deal was priced to offer a discounted margin of 15 basis points over Libor. The bank had considered issuing in dollars, but switched to sterling due to the heavy competition in the dollar sector, with Italy's global due next week.

Also in the sterling market, NatWest Capital Markets arranged a repackaging of

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
US DOLLARS							
Kingdom of Sweden	300	6.00	100.00	Aug 1998	0.125	+15 $\frac{1}{2}$ (9 $\frac{1}{2}$ -9 $\frac{1}{2}$)	Nomura / Swiss Bank Corp.
Republic of Ireland	250	6.00	100.00	Aug 1997	0.125	+6 (9 $\frac{1}{2}$ -9 $\frac{1}{2}$)	Nomura / International
BNL Hong Kong Branch	100	6.00	100.00	Jul 1998	0.25		Nomura / International
London Finance	100	6.00	100.00	Jul 1997	0.25		Nomura / International
YEN							
Provinces of British Columbia	100m	4.00	100.00	Aug 1997	0.125		JP Morgan Securities
Provinces of British Columbia	100m	4.00	100.00	Aug 1997	0.125		JP Morgan Securities
Provinces of British Columbia	100m	4.00	100.00	Aug 1997	0.125		JP Morgan Securities
Treasury Corp. of Victoria	100m	4.00	100.00	Dec 1998	0.15		JP Morgan Securities
STERLING							
ANZ Banking Group	200	6.00	100.00	Jul 1997	0.15		UBS
CANADIAN DOLLARS							
DSL Finance	100	6.00	100.00	Aug 1997	0.125	+10 (9 $\frac{1}{2}$ -9 $\frac{1}{2}$)	Paribas Capital Markets
SWISS FRANCH	70	6.00	100.00	Aug 1997	0.125		Nomura Bank (Switzerland)

Final terms and non-callable unless stated. The yield spread (over relevant government bonds) at launch is supplied by the lead manager. *44Private placement. *50Fixed rate coupon. *51Fixed rate coupon. *52Fixed rate coupon. *53Fixed rate coupon. *54Fixed rate coupon. *55Fixed rate coupon. *56Fixed rate coupon. *57Fixed rate coupon. *58Fixed rate coupon. *59Fixed rate coupon. *60Fixed rate coupon. *61Fixed rate coupon. *62Fixed rate coupon. *63Fixed rate coupon. *64Fixed rate coupon. *65Fixed rate coupon. *66Fixed rate coupon. *67Fixed rate coupon. *68Fixed rate coupon. *69Fixed rate coupon. *70Fixed rate coupon. *71Fixed rate coupon. *72Fixed rate coupon. *73Fixed rate coupon. *74Fixed rate coupon. *75Fixed rate coupon. *76Fixed rate coupon. *77Fixed rate coupon. *78Fixed rate coupon. *79Fixed rate coupon. *80Fixed rate coupon. *81Fixed rate coupon. *82Fixed rate coupon. *83Fixed rate coupon. *84Fixed rate coupon. *85Fixed rate coupon. *86Fixed rate coupon. *87Fixed rate coupon. *88Fixed rate coupon. *89Fixed rate coupon. 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European Motor plans takeover after rise to £5m

European Motor Holdings, the motor retail and services group, revealed yesterday that it was in detailed negotiations which could lead to "a significant acquisition".

Mr Richard Palmer, chief executive of the group - which reported a 50 per cent increase in full year profits - added that if the acquisition proceeded the board planned to raise between £15m and £20m of new funds through a rights issue.

Mr Palmer said an announcement could be made later this month and added that if the deal goes ahead it would not dilute earnings.

Despite this assurance the shares closed 11p lower at 123p.

215.3m. The improvement in plantin reflected greater efficiencies and the efforts of the new divisional management. Earnings per share increased by 32 per cent from 7.3p to 9.6p.

A final dividend of 2.55p is recommended, making a total for the year 21 per cent ahead at 4.26p (8.5p).

● COMMENT

The announcement that European Motor is close to finalising another purchase should come as no surprise. The acquisitions (Hill Garages and Wilconatic) made two years ago and the group now wants to mix organic growth with expansion through the acquisition of underperforming businesses in

Kerry acquiring leading chilled food brands from Unilever

Kerry Group, the Irish meat, dairy and food ingredients manufacturer, is to acquire the chilled meats business of Mattheissons Walls from Van den Burgh [redacted] for [redacted] yet undisclosed sum.

Net asset value of the business [redacted] acquired [redacted] been independently estimated at \$25m.

The acquisition, which Kerry said was still at the due diligence appraisal, would double Kerry's business in the UK consumer foods sector to about

strengthen Kerry's focus on the food ingredients and consumer foods businesses, and position it well for an upturn in the UK food sector next year.

Van den Burgh Foods said the decision to sell its chilled meats business was part of its plan to concentrate resources in its established core areas of margarine, low-fat foods, spreads, liquid oils and meat snacks.

Mathiesons Walls joined Van den Burgh, a subsidiary of Unilever, in 1992 from another division of Unilever. The com-

Shani improves to £1.7m

Shani Group, the URM-traded fashion wear company, reported pre-tax profits of \$1.71m in the nine month period to April 30 1994.

The group is changing its year-end to October 31 reflecting the seasonal nature of L.A.S, the women's coat and suit business; comparisons cover the 12 months to end-January 1993.

The outcome, up from \$1.34m

last time, was ~~added~~ on turnover ahead from \$11.5m to \$16m.

Mr Martin Hollis, chairman, said the second period of the 15-month ~~year~~ had ~~started~~ well with turnover continuing to increase on a like-for-like ~~basis~~.

The interim dividend goes ~~up~~ 67 per cent, from 1.8p to 3p ~~per share~~ from ~~earnings~~ ahead to 7p (6.3p) per ~~share~~.

DIVIDENDS ANNOUNCED						
	Current payment	Date of payment	Conver- sion - pending dividend	Total for year	Total last year	
Amoco Moving S	\$1.21	Aug 18	1	2	1	
Brldy	\$4.81	Oct 3	2.53	6	3.69	
Cardinal	\$1.00	Oct 4	1	1	1	
Court Cavendish	2.85	Sept 8	-	4	-	
Danmo Ins Trust	\$4.575	Aug 31	4.575	7.95	7.95	
European Motor	2.825	Oct 4	2	4.25	3.5	
Brans of Leeds	1.74	Aug 28	1.57	2.53	2.53	
Gardiner Group	0.30	Oct 10	0.23	0.53	0.72	
Howden	1.81	Oct 3	1.45	2.43	2.2	
Morris Aubay S	0.71	Oct 3	3.7	6	8.4	
Noopend	\$1.47	Oct 8	0.5	1.25	0.76	
Reardon	\$1.66	Sept 30	0.732	-	2.591	
Security Servs	1.650	Sept 30	1.253	-	5.894	
Shant S	\$4.25	Aug 25	1.6	-	6.3	
Shin Food	5.8	Aug 4	7.5	7.5	7.5	
Stearns Pub S	2.2	Nov 7	2.4	3.6	3	
Torco Inc	0.5	Sept 30	0.5	0.5	0.5	
Vicoprol	2.39	Oct 3	1.39	3.6	2.5	
Worthington	1.31	Oct 3	1.1	1.9	1.8	

Dividends shown pence per share not except where otherwise stated. ↑ Increased capital. *Equivalent to allowing for issue, \$USM stock. †

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The Annual General Meeting of "Holderbank" Financière Glaris Ltd. held on June 24, 1994, approved the creation of conditional share capital in the amount of maximum SFr. 15,250,000.

The Board of Directors of "Holderbank" Financière Glaris Ltd. decided to use a maximum of SFr. 7,240,000 of the conditional share capital to secure warrant rights that were allocated to the shareholders as of July 1, 1994.

In accordance with the provisions set forth in the Trust Deed the subscription price is reduced with effect from July 4, 1994, from SFr. 847 per SFr. 1000 per bearer share. In the event of future conversions a cash adjustment of SFr. 36.99 (SFr. 56.23 at the exchange rate of SFr. 1.52 per US\$) for each US\$ 1000 principal amount of Bonds will be made.

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Industrial fan integration lifts Howden

By Andrew Bolger

Shares in Howden Group rose by 4p to 88p yesterday after the Glasgow-based engineering company reported a 49 per cent increase in annual pre-tax profits to £27.6m.

The pre-tax figure, for the year to April 30, included a gain of £1.5m from the sale of property in Hong Kong. Turnover rose from £273.3m to £278.3m.

Howden said profits had improved partly because of the successful integration of two industrial fan companies bought last year for a total of £40m - Novenco in Denmark and Buffalo Forge in the US.

The subsequent rationalisation programme involved the closing of 800,000 sq ft of manufacturing capacity in the US, Canada and UK and a reduction in the combined workforce of about 750 employees.

Mr Johnny Johnson, chief executive, said the restructuring had yielded annual cost savings of about £18m. The result was that the formerly loss-making North American fan operations, and the loss-making activities of Novenco in Europe, were now in the black.

Order intake was £288m, an increase of 46 per cent. The highlight was the \$27m tunnel boring machine order won by Wirth, Howden's German subsidiary, for a road tunnel in Taiwan.

Wirth incurred a loss of £8m to £4m because of low orders last year and the cost of a rationalisation programme to reduce its workforce by 250 to 500, which will be completed

during the current first half. The group said these savings, plus the impact of the Taiwan order, should contribute to an improved performance in 1995.

In the UK James Howden improved profitability and won orders for tunnel boring machines for the Brighton flood alleviation scheme and the Heathrow express line.

Mr John Jackson, chairman, said the international spread of Howden's businesses has enabled the group to weather the worst effects of the recession and would bring further reward as the economic recovery developed.

Earnings per share increased by 12 per cent to 6.7p (5p). A final dividend of 1.61p gives a total for the year of 2.43p, an increase of 10.5 per cent.

COMMENT

Howden's strategy of reducing its exposure to contracting and construction is paying off, with the successful integration of the fans business offering scope for further margin improvement - particularly in the US. Forecast pre-tax profits of £28m put the shares on a prospective multiple of 11.

That 14 per cent discount to the market is partly because memories still linger of the group's disastrous Danish tunneling contract, which caused the share price to plummet and nearly wiped out group profits in 1990-91. The shares should be uprated from their current level in the medium term, as the market learns to view the group as an engineering stock, which should benefit from later-cycle investment.

ICI makes \$300m Taiwan expansion

By Daniel Green

ICI is planning to spend about \$300m (£197m) on more than doubling the size of a chemicals plant in Taiwan.

The scheme takes to over \$800m the investment ICI has earmarked for increasing its capacity in terephthalic acid, a raw material used in polyester manufacture.

Four weeks ago, ICI said it was planning to build a plant in Pakistan.

The new Taiwanese plant, ICI's second at the Kuan Yin site, would be able to produce 450,000 tonnes of TPA a year.

The existing 350,000 tonnes a year plant opened in 1992 and is currently being expanded to 400,000 tonnes.

ICI said that the TPA market "continues to surge".

World TPA demand had grown by 14 per cent a year since 1980 and even faster in Taiwan. Demand was "capacity constrained" and prices "were rising".

The new plant would use a proprietary technology to create "the world's lowest cost

production unit in terms of both capital and production costs," said Mr David Hewitt, ICI's international TPA business manager.

The plans, as with those for Pakistan, are subject to ICI board approval.

If given the go-ahead, the second Kuan Yin plant should come on stream in 1997. The two Asian sites would then account for half ICI's world capacity in TPA.

ICI denied the TPA investments signified a return to commodity chemicals. The company has been reorganising itself in recent years to concentrate on fewer areas in which it can add significant value and had a strong technological position.

It said its proprietary manufacturing methods give it a technological advantage over competitors. ICI is the second biggest producer of the material in the world after Amoco, the US oil company.

Asia is a popular location for investments to supply the fibres industry because of the strength and size of local customers.

Sterling Publishing rises 32%

By Andrew Bolger

Sterling Publishing Group, which specialises in international business reference books and magazines, reported a 32 per cent increase in pre-tax profits to £1.5m in the year to March 31.

Sales rose from £42m to £52m. The group's principal division, which publishes international business reference books and quarterly magazines, increased operating profits to £5.8m (£4.9m).

Sterling introduced a record 23 new publications to its range during the year, and in total published 70 individual titles. Two new titles launched were *Who's Who in the Former Soviet Union* and *Who's Who in Central and Eastern Europe*.

Sterling said Turret, its trade magazine publisher and exhibition organiser, had a satisfactory year in competitive market conditions, with operating profits up to £1.2m (£1.2m).

Mr Roger Harrison, chairman, said future prospects were bright, with forward sales for all activities showing healthy increases.

Earnings per share rose by 28 per cent to 10p (7.8p). A final dividend of 3.8p raises the total to 3.8p (3p).

Birkby turns in threefold gain to £3.3m

By Simon Davies

Birkby, the space management and hire purchase company, announced pre-tax profits up threefold to £3.3m for the year to March 31, and said that all divisions were experiencing record sales for the first 13 weeks of the year.

The company completed the £58.7m purchase of In-Shops in March, and management said that occupancy levels had already improved from 78 per cent to 83 per cent on In-Shops' retail management portfolio.

In addition, Mr Bill Cran, chief executive, said In-Shops should achieve administrative cost savings of £1.4m a year, of which up to £1m would come through during the current year.

Following the acquisition, Birkby has emerged as a £118m capitalised company focusing on the provision of premises, credit and services for small businesses or retailers.

Turnover for the year increased 26 per cent to £14.7m, aided by contributions from Hill Hire, the commercial

vehicle leasing company acquired in July, and In-Shops.

The group's management operations saw occupancy rise to 84 per cent, and pre-tax profit from continuing operations amounted to £1.1m.

Every 1 per cent increase in occupancy from In-Shops makes another £260,000 of income.

The vehicle hire business, which merged with the rationale of offering services to tenants, contributed £1.8m, of which £1.6m came from Hill Hire.

Profits were held back by a £325,000 loss - primarily the write-off of goodwill - on the sale of businesses from Finlan, which was taken over by Birkby in August 1992.

Birkby's gearing has fallen from 46 per cent to 41 per cent.

Earnings per share improved from 11.1p to 11.8p. A revised final dividend of 4.8p makes a total 6p, an increase of 70 per cent.

Mr Cran said Birkby has delivered all it promises so far, and the company is promising a lot more.

It has carried the costs of the In-Shops acquisition, and already improved earnings potential. With full year contributions from In-Shops and Hill Hire this year, profits could reach £3.6m, putting the shares on a p/e of 15. It is a cyclical business with little asset backing, and the outlook could change from a likely increase in competition and rental pressure on leased properties. But Birkby has found a good formula and the current rating seems justified.

Schroder Japan oversubscribed

Schroders has raised £125m with its new Japanese investment trust. Late applications for larger numbers of shares in the public offer are to be scaled back, as the offer was oversubscribed by £2.8m, writes Bethan Hutton.

Of the total, £28m was raised from an institutional placing, while applications for £39.8m were received in the public offer.

Mr Philip Middleton of Smith New Court, sponsors of the issue, said that the bulk of applications in the public offer were for small lots of shares.

Investors who applied for up to 5,000 shares at 100p will receive the full amount. Only applications for more than 5,000 shares received after June 17 will be scaled back, by between 10 per cent and 26 per cent.

Mr Jeremy Hill, chairman, said: "We are delighted with the level of interest shown in the Schroder Japan Growth Fund, particularly given recent market turbulence."

Separate dealings in the shares and warrants, which were attached on a 1-for-5 basis, are due to start on July 11.

Difficult trading for Budgens as profits decline to £5.4m

Budgens, the small retailing chain which is being backed by Rewe's, one of Germany's largest food chains, said trading conditions proved very difficult, particularly in the first quarter of this year, writes Andrew Bolger.

The group, which warned in April that opening discount stores had proved more expensive than anticipated, said pre-tax profits fell from £6.2m to £5.4m in the year to May 1.

Sales dipped to £298m (1993: £301m). Budgens said that in the year ended May 1, it had experienced year-on-year price deflation and in its case this was about 3 per cent.

Budgens converted nine existing stores to Rewe's Penny Market discount store format. The German group last year took a 29 per cent stake and has an option to raise this to 47 per cent next September, which would require a full bid.

Conversion costs and operating losses in the first year had an adverse effect upon profits, although these costs were offset by the profit generated from the sale and leaseback of a second warehouse adjacent

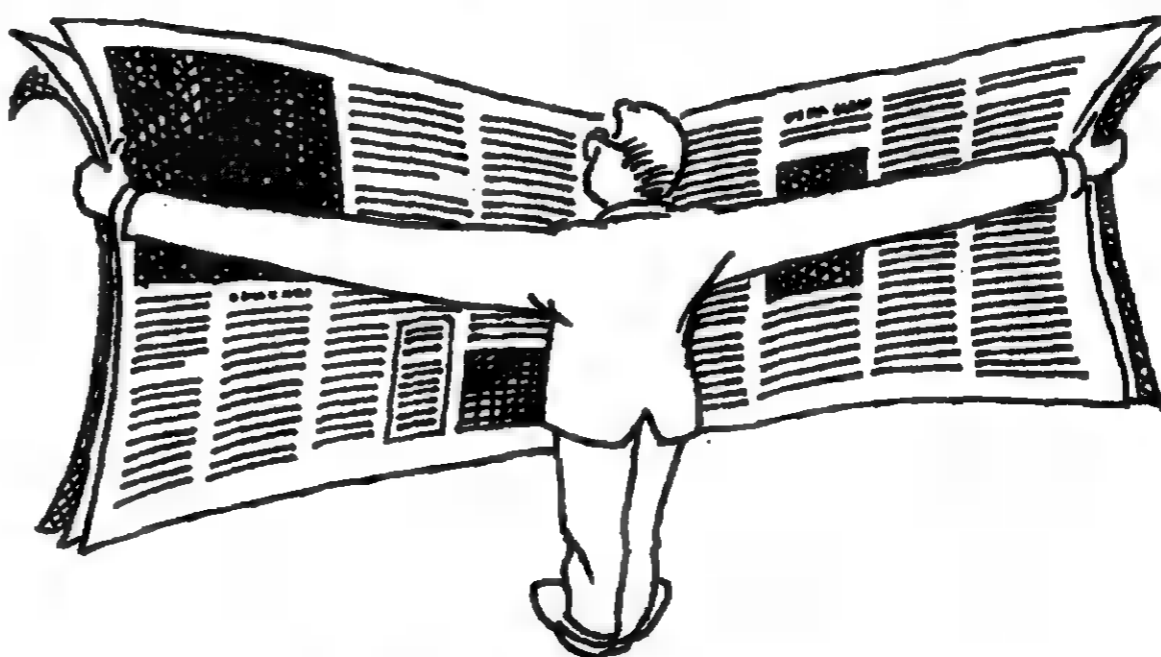
to its main operations in Wellingborough, Northants.

Budgens plans to open a further 30 discount stores in the south-east over the next two years, although most of them are likely to open in 1995-96.

The retail format at the existing Budgens' stores has been re-focused to concentrate on competitive prices. The group said that Penny Market stores were experiencing encouraging sales trends.

Earnings per share fell to 3.4p (3.4p). A final dividend of 0.7p maintains the total at 1p.

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- I) Qualified and experienced companies are invited to bid to provide Slag Processing Services at BOF slag at the integrated steel plant at ERDEMIR located at Karadeniz Eregli, TURKEY.
- II) The objective of the project is to process the slag in an existing 2.1 million cubic meter pile accumulated in the past plus the ongoing slag production from three BOF vessel on the basis of:
 - a) Build-Operate-Transfer (B.O.T.) or
 - b) Complete Sale/Partial Sale
- III) The name of the project is "BOF Slag Processing Services" and the intent of ERDEMIR is for contractor to build and operate a slag processing facility with the recovered metallics and slag to be marketed under various options as set forth in the Bidding Documents.
- IV) Documents regarding the inquiries shall be issued to those who apply in writing to ERDEMIR by the date stated below. Delayed applications shall not be taken into consideration and thus will not be invited to bid.
- V) All correspondence shall be in English.
- VI) Qualified companies may request Bidding Documents at the address given below starting from July 20, 1994 till July 29, 1994, 17.00 hours Turkish Local Time.
- VII) A pre-bid meeting site visit shall be held on Tuesday, July 9, 1994 at 10.00 A.M. on Wednesday, August 24, 1994.

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COMPANY NEWS: UK

Thorn poised to offload defence side

By Bernard Gray

Thorn EMI, the music and electronics rental giant, is discussing the sale of its remaining defence business to a potential buyer.

Racal Electronics is thought to be the most likely buyer, but the company has recently rejected discussions. GEC withdrew from talks last week after a diligence exercise had been conducted. A mutually acceptable price could not be negotiated.

The businesses primarily manufacture radar, electronic warfare and electronic command systems. Turnover last year was about £1.6m, of the operations are based

at Crawley, West Sussex. GEC is thought to be interested because there is a good fit between Thorn's business and its own electronic warfare operations.

The Ministry of Defence may be concerned about the threat to national security if the business is sold to a foreign company, though Thorn said it had no reason to believe that the MoD had placed unusual constraints on the sale.

The current talks follow Thorn's agreement in principle to sell its defence electro-optical and missile-fusing interests to Thomson of France at the end of last month. Those businesses have turnover of about

UK side behind Vibroplant advance

By Gary Evans

Helped by improved UK trading conditions in the first half which were sustained in the second six months, Vibroplant, the specialist plant hire group, lifted pre-tax profits by 47 per cent from a depressed £1.9m to £2.8m in the year to March 31.

Mr Jeremy Pilkington, chairman, pointed out that with turnover only marginally ahead of £71.1m (£69.9m), the result was achieved through better utilisation of a smaller rental fleet.

On the basis of the improved performance and with the prospect of further progress this year, the recommended final dividend is restored to the 1992 level of 2.5p (1.2p) making a total of 3.6p (2.5p). Earnings per share were 3.7p (2.6p).

In the UK, pre-tax profits jumped to £2.7m (£1.9m) on turnover up 1 per cent to £71.1m. The most marked improvement came in the second half when pre-tax profit was up 7 per cent.

Mr Pilkington said that while future prospects depended on the restoration of real growth in construction output, "the outlook is now more encouraging than it has been for several years".

The US, however, remained a problematic market for the group and pre-tax profits fell to \$1.0m (\$1.0m) after making a \$200,000 provision this time to cover the possible outcome of a lawsuit. Translated turnover was unchanged at \$35.1m, but dollar revenues declined by 10 per cent to \$52.8m because of both reduced sales and activity and a reduction in the size of the rental fleet.

However, Mr Pilkington predicted that with the benefit of a growing US economy "we can look forward to a period of steady improvement in the performance of our US operations".

Riding along on the crest of the waves

Charles Batchelor on Stena Sealink's investment in £63m high speed catamarans

British holidaymakers gearing up for their trips abroad are being offered a new choice by the marketing men: a fast no-frills journey through the Channel tunnel - when it opens for passenger traffic - or a slower, more relaxing crossing by ferry.

There are other, less heavily promoted, options: hovercraft, which have never caught on because of the noise and spray, or small Hoverspeed ferries popular with day trippers.

For many years, the choice was between the arrival of large high speed catamarans - twin or triple hulled vessels which can travel twice as fast as conventional ferries - on direct routes around the UK.

Earlier this month Sealink announced it had acquired three catamarans, each capable of carrying 1,500 passengers and 375 cars - five times the capacity of the largest "cat" currently in service.

The new £63m vessels, which are being built in Finland, are longer than a football pitch and nearly as wide.

Can Containers, owner of Hoverspeed and the largest operator of catamarans, has also been looking at the possibility of buying Sealink more than twice the size of the existing fleet.

The new Sealinks, which are due to start service in 1995, will be able to carry 1,500 passengers and 180 cars.

Can Containers have been in commercial service in Britain since the late 1970s, but

the early vessels were unstable in choppy seas and made travellers seasick.

These problems have diminished as the cats have grown larger and the designers have developed techniques for stabilising them in rough seas.

The limited capacity of the earlier vessels restricted the routes on which they could be used, although their ability to travel at 40 to 45 knots (46mph) meant they could make more frequent journeys.

The rapid expansion of demand for cross-Channel sailings during the late 1980s and early 1990s persuaded the ferry operators that they needed to increase capacity.

They were faced with a choice between ordering super-ferries capable of carrying up to 1,800 passengers or the relatively small catamarans then available.

The ferry companies were not convinced that speed was a sufficiently strong selling point to justify the higher prices they would have to charge.

P&O European Ferries, which owns the largest share of the cross-Channel market, has yet to be persuaded of the advantages of catamarans.

The company has had study tours looking at Sealink's new vessels but remains unconvinced about their reliability.

When opening of the Channel tunnel, which is being carried out primarily on the speed of its service, finally persuaded the ferry operators that they should consider the possibility of the only advantage the tunnel could offer: speed.



An earlier generation Sealink: the new vessels have five times the capacity of the largest catamaran currently in service.

cats, it decided, could match it for speed but still offer all the facilities of a super-ferry.

Unlike the ferries, catamarans provide an airline style service with guaranteed seats arranged in rows in a single main cabin. The height of the vessel and the distance of the passenger cabin from the engines provides a smooth ride, in stark contrast to the noise and spray which limited the popularity of the hovercraft.

The first catamarans to come into service were passenger only, but they have been superseded by car-carrying vessels.

"We decided the future lay in car-carriers rather than passenger-only vessels," said Mr Spindlow, marketing manager of Condor, which operates

a catamaran service between the Channel Islands and the mainland.

The next stage for catamarans is to progress from carrying cars to carrying trucks and coaches.

When the first of Sealink's new super-cats began service on the Holyhead-Dun Laoghaire route in the Irish Sea in the spring of 1995 it will be capable of carrying up to 50 trucks, trailers or caravans as well as cars and their passengers.

Carrying freight means the operator can earn a steady revenue from his vessels all year round instead of just being dependent on the holiday season in the peak summer months.

Unlike Stena Sealink, Sea Containers has no plans to carry freight on its catamarans. The company is still waiting for proof that the freight market will pay a premium to make fairly small time savings on its routes. Unloading trucks makes for longer turn-around times in port.

Sea Containers operates its small Hoverspeed catamarans on the Folkestone-Boulogne route, popular with day trippers; and, on charter, the Isle of Man and the mainland.

Under the UK it operates catamarans between Gothenburg and Frederikshavn across the River Plate in Argentina and Uruguay. It recently chartered a vessel for use in the Arabian Gulf.

Demand for catamarans around the world exceeds supply, said Mr James Sherwood, chairman of Sea Containers. The company is looking at several new routes, including one between mainland Venezuela and the holiday destination Isla Margarita.

The initial success of the operators of traditional ferries to the introduction of catamarans has been cut sharply, said Mr Sherwood. He expects that as the catamarans become more established this fierce price competition should ease.

With the Channel tunnel gradually building up its capacity, it may prove a forerunner on the cross-Channel routes. The high speed catamarans are likely to stay.

St James Beach rises to £1.67m

By Joan Gray

In its first set of results since gaining a full listing in April, St James Beach Hotels, which operates in the Caribbean, beat its prospectus with a pre-tax profit of £1.67m for the year to March 31, against a forecast of £1.5m.

The company, which has changed its name from September 30, reported pre-tax profits of £1.67m for the six months to March 31. The annual profit for the year to September 30 1993 was \$254,000.

Earnings per share came out at 12.1p (1.15p) on 1.37m shares, ahead of the 11.2p forecast.

Turnover rose to £7.81m, with room occupancy rates 18.2 per cent, compared with 18.1 per cent in the last three

months of the financial year. Occupancy rates rose to 79 per cent (53 per cent).

The company has completed the \$2.8m acquisition of the Barbados Beach Village hotel since the year end. This has been renamed the Crystal Cove and closed for refurbishment. In a prospectus which will be issued in the next few weeks, the company's capital expenditure for the year to March 31 is £1.1m to provide a new headquarters.

Negotiations are in progress for the purchase of a new house and office in Barbados for £1.1m to provide the company with a new headquarters.

In line with the dividend policy stated in the prospectus, the group is planning a first interim dividend for the period to September 30 1994.

The shares closed down 2p at 128p against an initial placing price of 120p.

Second quarter lift helps Torex recover

Shares in Torex Hire jumped 5p to 64p yesterday after the USM-quoted group said that improved trading in the second quarter helped produce a turnaround from a £128,000 loss to a pre-tax profit of £123,000 for the six months to April 30.

Turnover of the group, which hires out tools, small plant and catering equipment, increased from £1.94m to £2.42m. Earnings per share were 0.5p (0.3p loss) and an interim dividend of 0.5p (nil) is declared.

Mr Benjamin Longridge, chairman, said the group's diversification into other activities had proved successful.

During the first two months of the second half year and continued growth was expected for the full year.

Mr Longridge said Torex saw a definite improvement in all aspects of construction activity from last year's "very low levels". Turnover in the division rose 10 per cent to £1.9m.

Catering activities grew steadily throughout the second half and this growth had accelerated with better conditions, he added.

The temporary toilet service had expanded rapidly while the fire protection business continued to grow.

PhoneLink in red as product costs bite

By Tim Burt

PhoneLink, the USM-quoted electronic information company, yesterday blamed start-up costs of its Tel-Me network for the pre-tax losses of £1.1m in the year to March 31.

The company said the losses - against a £300,000 profit last year - were less than expected for a system which, it claims, will deliver information more rapidly than any other on the market.

Mr John Lyon, chief operating officer, expressed confidence that Tel-Me would emerge as the company's flagship product from its profits generated by DataCare, its telephone directory service for database users.

Although DataCare generated gross profits of £745,000 (£608,000) and underpinned a 35 per cent increase in turnover to £1.1m (£825,000), Mr Lyon said PhoneLink was making a loss of £1.1m on marketing Tel-Me to some 400,000 small

businesses, offers a wide range of on-screen information. "Tel-Me is in place and we've moved from being a technology company to being a service supplier," said Mr Lyon.

The service has been sold to a number of large corporations including South Western Electricity and Guardian, the insurance group, and some 60 computer companies have agreed to sell the system. The company has also persuaded IBM to install the necessary software in its personal computer products and help market it.

Costs, meanwhile, have been controlled by the fact that the company's plant near Liverpool, saving more than £1m.

Mr Lyon warned, however, that developments costs were likely to exceed £3m before the system began to generate profits.

Until then, the company said it would continue to draw on cash reserves of £7.2m left over from its flotation in May last year.

Losses per share came out at 8p, against earnings of 0.1p.

Enlarged Court Cavendish shows advance to £3.09m

By David Wighton

Court Cavendish, the nursing home operator which came to the market last July, saw pre-tax profits jump from £194,000 to £3.09m during the year to April 30, an exceptional rise of 1,580 per cent.

Operating profits from existing homes were down 16 per cent at £2.33m due largely to a fall in occupancy following the introduction of the Community Care Act.

But Dr Chai Patel, executive chairman, said this was only a temporary effect. "Occupancy was down a bit to 91 per cent in the first half but picked up to 93.6 per cent in the second and for the first two months of this year is well over 94 per cent."

He believed it is sustainable at this level, which is above the company's 1993 average.

Some other nursing home operators believe that Community Care will mean permanently lower occupancy rates than last year. But Dr Patel said Court Cavendish has been less affected because almost 90 per cent of its customers are self-pay and its local authority work is biased towards specialist care which commands premium prices.

Its average fee rates from continuing operations increased by 4.5 per cent with private care fees up 6.3 per cent. Existing homes showed a 2.2 per cent increase in turnover to £3.9m with income

acquired during the year contributing £1.9m. The contribution to operating profit from acquisitions was £1.1m, increasing the total to £3.09m (£1.94m).

The group bought 113.5m buying further homes in the year. The number of beds rose from 658 to 1,500. Dr Patel said the group was on course to add a similar number this year.

The facilities provided of £38.6m and the turnover bill from £2.8m to £144,000.

Earnings, including exceptional items, rose from 4.5p to 15p; a final dividend of 4.5p brings the total to 10p. The shares added 1p to 218p, compared with the flotation price of 220p.

Associated Nursing at £2.3m

Associated Nursing Services' mid-price rights shares fell 1 1/2p to 10 1/2p yesterday as the nursing home operator announced figures for the year to March 31, written David Wighton.

Group pre-tax profits rose to £1.58m (£1.58m), slightly above the estimate that Associated had put at £1.5m rights last month. Turnover rose to £1.58m (£1.58m).

The existing shares have fallen 1 1/2p to 255p and were unchanged on the figures.

The group, which came on July 18, was fully underwritten by Henry Ansbacher.

Dr Nicol Dhandas, chief executive, said occupancy rates recovered quickly from the disruption caused by the implementation of the Community Care Act in the first half, with occupancy averaging 90 per cent last year and now running at 94 per cent.

The joint venture homes, where a number of services were built during the year, averaged 90 per cent occupancy. The homes division

increased operating profits by 17 per cent to £2.95m with average fees rising by 3.5 per cent.

A final dividend of 1.5p is recommended, making a total of 17.5p (14.3p) per share. The rights issue cash will be used to fund the group's continued expansion beyond this year although it intends that most of its new homes will be developed with existing and new joint venture partners.

The group plans to move from USM to the main market later this month.

Sims Food swings back into black

Sims Food Group saw its share price leap 10p to 140p yesterday after the company announced integrated group results for the year to March 31.

This compared with a 1993 loss of £6.6m, of which £1.1m

was due to write-downs and £2.5m to restructuring provisions, largely in the retail division.

In line with its strategy to reduce the involvement in the commodity business, the company's turnover fell by 2 per cent to £306.4m, after adjusting for the timing of acquisitions, which contrib-

uted £18.4m, and disposals, which accounted for £14.4m (£19.4m). The underlying fall was 10 per cent.

The recommended final dividend of 5.5p remains unchanged at 7.5p, which is payable and payable from reserves. There were no losses per share, against a 1993 loss of 1.1p.

Interest charges were reduced to £1.1m (£3.0m) and gearing fell from 95 per cent to 62 per cent.

Earnings per share dipped to 1.1p (1.1p), but the share price rose to 140p (£1.40).

Gardiner Group Capital raised £1.1m in alternative proposals for the winding-down.

In May, the directors announced plans for shareholders to receive their investment for a sum approximating £1.1m through a repayment of capital and the sale of certain unquoted investments.

New proposals, which could, according to the directors, "provide a more attractive alternative" include arrangements for shareholders to receive adjusted formula asset value giving a return in line with the current share price.

NEWS DIGEST

Gardiner, chairman, said the group had started well with the order book strengthening.

On turnover up 30 per cent to £11.1m (£8.5m), pre-tax profits of £1.82m (£1.5m), an increase of 21 per cent. Earnings per share were 13.6p (13.5p) and a proposed final dividend of 4p makes a total of 17.6p (£1.76).

Gardiner said that while turnover in eight out of the 10 sectors the company served with 18 of its top 20 customers increasing their business.

Gardiner Group falls to £1.93m

Private on its principal UK operations, Gardiner Security and Multi-Video Distributors, led Gardiner Group in turn in pre-tax profit for the year to £2.38m to £1.93m.

Turnover was ahead at £40.5m (£40.2m).

Record year for Morris Ashby

Morris Ashby, the Essex-based deacidising company, reported record results for the year to March 31. And Mr Norman

Worthington jumps 82% to £1.18m

Worthington Group, the buttons and trimmings manufacturer which expanded into the men's wear market in February, yesterday reported an 82 per cent leap in annual profits. Its turnover of £18.4m

turnover and profits to profits. Mr Henry Schindler, chief executive, said the group remained committed to expansion, both organically and by further acquisition.

Group net assets rose to £6.5m (£4.2m) during the year, helped by the remaining proceeds of the rights issue which was £6.5m (£4.2m) in total.

Earnings per share improved from 3p to 4.6p; a proposed final dividend of 1.3p brings the total for the year to 1.9p (£1.9p).

National Grid takes £33m p&l hit

The National Grid Company, which is jointly owned by the privatised electricity companies, has reported a £33m hit to its profits.

The company's redemption amount is £33.3m, meaning that it will be charged to the profit and loss account this year. However, the company

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The company's net asset value was £347,379,182.44, i.e. £347.38p per share of £200 par value.

The company's net asset value per share amounted to £347.38p, 1994 to 1993 of £347.38p.

During the period of the proposed restructuring, the consolidated and non-consolidated net asset values will be published twice a month.

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Cavendish
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at £2.3m

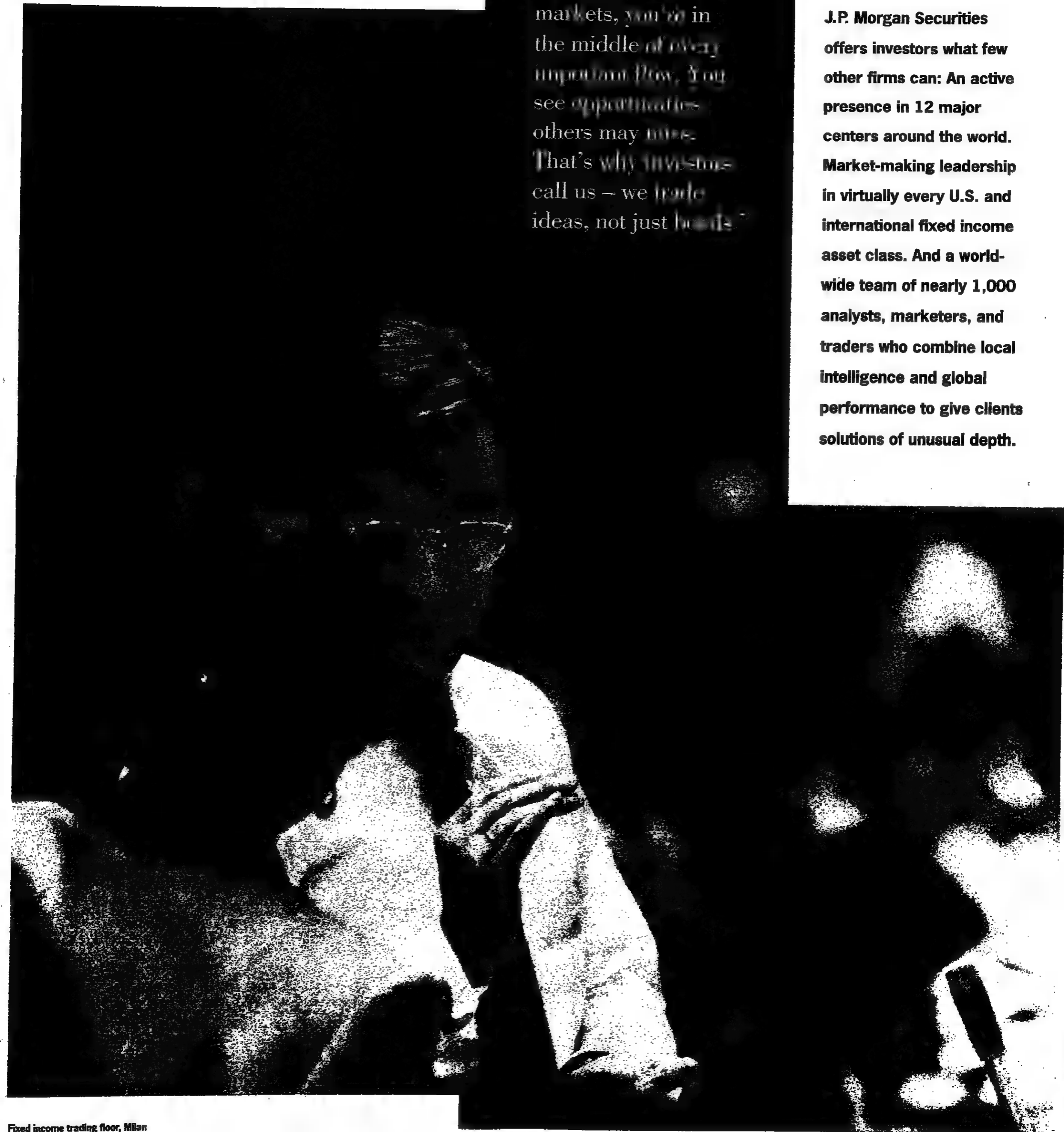
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COMMODITIES AND AGRICULTURE

Copper rally runs into resistance

By Richard Mooney

Copper's price rally continued at the London Metal Exchange yesterday but ran into resistance short of the 21-month peak reached late last month.

Twice the three months position spiked above \$2,400 a tonne, but both times the move was reversed by dealer selling and profit-taking. At the close the price stood at \$2,405.50 a tonne, up \$17 on the day and

\$110 above the low reached in the sell-off that ended a week ago. In after hours trading it was trimmed further \$13.

Dealers told Reuters that yesterday afternoon's retreat was all part of a consolidation process following a week of gains. The rise had been encouraged by news that Chile's Chuquibambilla mine would lose 40,000 tonnes of output this year because of a furnace closure to comply with pollution controls.

Boffins aim to clean up with oilseed rape

By Alison Maitland

Scientists at the Agricultural College are working with Calgene, the Californian biotechnology group, to develop an oilseed rape variety for use in detergents such as washing powder for the European market.

The work, unveiled at this week's Royal Society's biggest agricultural event, involves genetic engineering of rape varieties to change the mixture of oils they contain.

If the research results in commercial production it could reduce dependence on imports of coconut and palm oil for detergent manufacture. Britain imports 400,000 tonnes of these oils a year.

"We're to all intents and purposes growing palm trees at Aberdeen," Mr. Kerr Walker, an agronomist with the college's Agro-Industrial Research Unit, said.

Oilseed rape is one of the most important crops grown in the UK for industrial purposes, which means it can be cultivated on land that farmers are paid to take out of food production. Last year, 800,000 hectares of oilseed rape were sown in the UK, a figure that could double by 2000.

At present only erucic acid is available from rapeseed. This

is used in specialised industrial detergents, but is becoming better known as an agent for making polythene wrapping malleable.

Calgene, which developed the non-rotting "Flavr Savr" tomato, has asked the Scottish researchers to investigate varieties with high lauric acid content, which produces oils similar to coconut and palm oil.

"There's interest from other companies," said Mr. Walker. "They really would like to get their hands on these materials. But the varieties are very definitely Calgene's property and have been patented." He said the oils could be on the market in North America next year, according to the American Oil Chemists Society. Their commercial development in Britain depends on the gradual relaxation of Department of Environment regulations on the release of genetically engineered organisms.

It also requires public acceptance that stringent precautions have been taken to ensure such releases are safe. The genetic engineering involves slotting a small piece of genetic information into the plant cell, which then produces a different oil type. Mr. Walker said: "It's absolutely vital the public are kept informed about this and that it's done slowly and sensitively."

Chemical group puts organic farming on trial

Alison Maitland reports on Rhône-Poulenc's 10-year experiment in producing crops without chemicals

When Rhône-Poulenc, one of Europe's largest agrochemicals groups, started an experiment in organic farming at its research base in Essex, the public response was understandably sceptical. Alongside laboratories testing 10,000 herbicide components a year was a project designed to demonstrate scientifically whether farming without chemicals could be profitable, effective and good for the environment.

Five years into the experiment, Mr. Lister Noble, manager of the 57-hectare Boarded Barns Farm, is as conscious as ever of the need for credibility as he unveils the first detailed conclusions of the 10-year comparison with conventionally-grown cereal crops.

"If I haven't got my heart in it, then there's no comparison. I do really want to make the organic side pay," he says.

Driving round the site, Rhône-Poulenc's only commercial farm, Mr. Noble bubbles with enthusiasm at the progress of the organic wheat and oats. The land had to be left fallow for two years before organic cropping could begin, to remove all traces of chemicals. So this year's grain harvest will be only the third, even though the project began in 1989.

"This year is the first year we're starting to see trends and drawing observations," he says.

The organic crops appear less reagent and slightly less robust than the conventional rivals in five neighbouring fields on the farm, which has a predominantly chalky boulder clay soil topped by a medium-heavy loam. However, Mr. Noble says weeds have not



Mr. Lister Noble bubbles with enthusiasm at the progress of his organic wheat and oats.

been as big a problem as he

year but abandoned that in the second on the advice of some organic experts. Now he is concentrating on quality and saleability - of the wheat.

Since one of the biggest difficulties with organic farming is low soil fertility, he is particularly pleased that new regulations allow organic farmers to grow clover - a rich soil nutrient - on land they are paid to set aside from wheat production. This will prove an economical way of increasing nitrogen levels during rotations between cereal crops.

Every aspect of the project is being monitored by Rhône-Poulenc experts, ranging from univer-

sity research departments to Adam, the government's farm advisory service, and the British Trust for Conservation.

To demonstrate impartiality, Mr. Noble asked Elm Farm, the research arm of the Soil Association, Britain's leading organic campaign body, to choose the five fields for the organic experiment.

Independent experts have analysed and tested bread made from the two types of wheat. They found no differences in the calorific value of the breads, although the organic wholemeal loaves did not rise as well and textures and flavours differed. As far as environmental effects are con-

cerned, different species of spider have been found in the organic fields and more bird species on the farm generally, but it is too early to draw clear conclusions.

That is not the case when it comes to profitability. The average annual cost of producing organic wheat at Boarded Barns Farm has been nearly \$17 higher a tonne than for the conventional wheat over the past five years.

The project involved start-up costs for separate machinery such as a £14,000 harrow to ensure no chemicals are sprayed by accident on to the organic crops. In addition, loss of young crops to pests, disease and weeding machinery means that organic seed must be applied at 250kg a hectare, compared with 180kg on conventional fields.

However, the variable costs of the organic wheat crop in 1989 and 1990, such as seed, fertiliser, machinery and hired labour, proved lower than those of the conventional crop. The really costly problem is having to leave fields uncropped during winter months. Organic methods and again way between crops, to restore soil fertility. Mr. Noble converted the fields gradually, keeping some under conventional crops for the first two years to boost gross margins. "The organic side would have looked pretty sick [financially] if we hadn't included the conventional crops," he says.

Even so, the organic side of the farm has produced a cumulative gross margin - the value of output less variable costs - of only \$2,557 a hectare since 1989 compared with \$5,497 from the conventional side.

"There's got to be a massive

subsidy to make this farm pay, growing organic crops," Mr. Noble concludes. Britain, unlike other European countries such as Germany, does not pay state subsidies to existing organic farmers, although the government is implementing a £1.5m-a-year scheme in August to encourage conventional farmers to convert to organic.

Mr. Noble himself favours "taking the best of both [organic and conventional] systems." He believes lessons can be learned by conventional farmers from organic experiment, such as its use of a weeding machine which acts like a giant rake, lifting young weeds out of the soil before they have a chance to root firmly. This aerates the soil and loosens the surface, helping to release plant nutrients. "On a conventional farm, they could use this if there's not a high weed population. If it doesn't work, they could then use a herbicide."

The experiment may continue beyond 10 years, Mr. Noble says. "We might find there's mileage in it." Rhône-Poulenc has clearly seen which way the wind is blowing. It is developing agrochemicals with low active ingredients and pesticides that attack specific targets. Another idea being pursued is for a protective dressing to be applied to seeds so that the crop they produce does not need to be sprayed.

The group is also making diagnostic kits to help farmers decide the precise timing and levels of spray in environmentally sensitive areas. According to Mr. Noble: "If the farmer wants to use fewer inputs, he will need quite a lot of advice and help."

MARKET REPORT

Coffee claws back modest gains as frost news awaited

London Commodity Exchange COFFEE prices clawed back modest gains in a listless afternoon session that saw most

players reluctant to move decisively pending more news on crop damage in Brazil. The Septem-

ber futures price, which had edged between \$3.030 and \$3.035 a tonne, closed at \$3.074, up \$21.

COCOA futures followed the cocoa trend to end at the day's lows.

London Metal Exchange

ALUMINIUM prices showed little reaction to news of a big cut in warehouse stocks.

Compiled from Reuters

LME Warehouse Stocks (As at Monday's close)	
Aluminium	-15,778 to 15,778
Aluminium alloy	-820 to 820
Copper	-1,035 to 1,035
Lead	-775 to 775
Nickel	-488 to 488
Zinc	-475 to 475
Tin	-75 to 75

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (% per tonne)

Close 1485.50-51.50

Previous 1485.50-51.50

High/Low 1485.50-51.50

AM Official 1485.50-51.50

Karb close 1485.50

Open int. 1485.50

Total daily turnover 70,750

ALUMINIUM ALLOY (% per tonne)

Close 1475.00-1500.00

Previous 1475.00-1500.00

High/Low 1475.00-1500.00

AM Official 1475.00-1500.00

Karb close 1475.00

Open int. 1475.00

Total daily turnover 5,911

LEAD (% per tonne)

Close 855.50-855.50

Previous 855.50-855.50

High/Low 855.50-855.50

AM Official 855.50-855.50

Karb close 855.50

Open int. 855.50

Total daily turnover 11,811

NICKEL (% per tonne)

Close 8175.00-8175.00

Previous 8175.00-8175.00

High/Low 8175.00-8175.00

AM Official 8175.00-8175.00

Karb close 8175.00

Open int. 8175.00

Total daily turnover 17,829

COPPER, grade A (% per tonne)

Close 2475.00-2475.00

Previous 2475.00-2475.00

High/Low 2475.00-2475.00

AM Official 2475.00-2475.00

Karb close 2475.00

Open int. 2475.00

Total daily turnover 20,321

LME AM Official 975 rates: 1.5418

LME Clearing 975 rates: 1.5418

Spot 1.5413 3 mth 1.5405 6 mth 1.5400 9 mth 1.5398

HIGH GRADE COPPER (COMBIO)

Close 111.75-111.75

Previous 111.75-111.75

High/Low 111.75-111.75

AM Official 111.75-111.75

Karb close 111.75

Open int. 111.75

Total daily turnover 5,648

Low 111.75 5 mth 111.75 6 mth 111.75 9 mth 111.75

Gold (Troy oz.) \$ price 2 equiv.

Close 385.00-387.00

Previous 385.00-387.00

High/Low 385.00-387.00

AM Official 385.00-387.00

Karb close 385.00

Open int. 385.00

Total daily turnover 38,444

Gold (Troy oz.) \$ price 2 equiv.

Close 385.00-387.00

Previous 385.00-387.00

Precious Metals continued

GOLD COMEX (100 Troy oz. 999.9)

Close 385.00-387.00

Previous 385.00-387.00

High/Low 385.00-387.00

AM Official 385.00-387.00

Karb close 385.00

Open int. 385.00

Total daily turnover 38,444

PLATINUM NYMEX (50 Troy oz. 999.9)

Close 410.00-410.00

Previous 410.00-410.00

High/Low 410.00-410.00

AM Official 410.00-410.00

Karb close 410.00

Open int. 410.00

Total daily turnover 118

PALLADIUM NYMEX (100 Troy oz. 999.9)

Close 118.00-118.00

Previous 118.00-118.00

High/Low 118.00-118.00

AM Official 118.00-118.00

Karb close 118.00

Open int. 118.00

Total daily turnover 944

SILVER COMEX (100 Troy oz. 999.9)

Close 102.10-102.10

Previous 102.10-102.10

High/Low 102.10-102.10

AM Official 102.10-102.10

Karb close 102.10

Open int. 102.10

Total daily turnover 12,125

ENERGY

CRUDE OIL NYMEX (42,000 US gal. 15.4)

Close 18.10-18.10

Previous 18.10-18.10

High/Low 18.10-18.10

AM Official 18.10-18.10

Karb close 18.10

Open int. 18.10

Total daily turnover 40,760

CRUDE OIL IPE (20,000 US gal. 15.4)

Close 18.10-18.10

Previous 18.10-18.10

High/Low 18.10-18.10

AM Official 18.10-18.10

Karb close 18.10

Open int. 18.10

Total daily turnover 11,778

HEATING OIL NYMEX (20,000 US gal. 15.4)

Close 18.10-18.10

Previous 18.10-18.10

High/Low 18.10-18.10

AM Official 18.10-18.10

Karb close 18.10

Open int. 18.10

Total daily turnover 11,778

NATURAL GAS NYMEX (10,000 cu ft. 10.0)

Close 1.10-1.10

Previous 1.10-1.10

High/Low 1.10-1.10

AM Official 1.10-1.10

Karb close 1.10

Open int. 1.10

Total daily turnover 11,778

GRAINS AND OIL SEEDS

WHEAT COMEX (5,000 bushels 12.5)

Close 102.50-102.50

Previous 102.50-102.50

High/Low 102.50-102.50

AM Official 102.50-102.50

Karb close 102.50

Open int. 102.50

Total daily turnover 11,778

WHEAT COMEX (5,000 bushels 12.5)

Close 102.50-102.50

Previous 102.50-102.50

High/Low 102.50-102.50

AM Official 102.50-102.50

Karb close 102.50

Open int. 102.50

Total daily turnover 11,778

BARLEY COMEX (5,000 bushels 12.5)

Close 102.50-102.50

Previous 102.50-102.50

High/Low 102.50-102.50

AM Official 102.50-102.50

Karb close 102.50

Open int. 102.50

Total daily turnover 11,778

SOYABEANS COMEX (5,000 bushels 12.5)

Close 102.50-102.50

Previous 102.50-102.50

High/Low 102.50-102.50

AM Official 102.50-102.50

Karb close 102.50

Open int. 102.50

Total daily turnover 11,778

BANKS

[illegible]

CHEMICALS

[illegible]**ELECTRONIC & ELECTRICAL EQPT - Cont.**[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HEALTH CARE - Cont.

[illegible]**INVESTMENT TRUSTS - Cont.**[illegible]

BREWERIES

[illegible]

BUILDING ■ CONSTRUCTION

Abbey Rd.	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	3355	3356	3357	3358
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DISTRIBUTORS

[illegible]

ENGINEERING

[illegible]

PVE _____
 0.3 _____

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	16
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22.9 **DIVERSIFIED INDUSTRIALS**

STATION	TIME	PROGRAM	PRICE	STATION	TIME	PROGRAM	PRICE
49	10:00	News	10.00	50	10:00	News	10.00
52.1	10:00	News	10.00	53	10:00	News	10.00
52.2	10:00	News	10.00	54	10:00	News	10.00
52.3	10:00	News	10.00	55	10:00	News	10.00
52.4	10:00	News	10.00	56	10:00	News	10.00
52.5	10:00	News	10.00	57	10:00	News	10.00
52.6	10:00	News	10.00	58	10:00	News	10.00
52.7	10:00	News	10.00	59	10:00	News	10.00
52.8	10:00	News	10.00	60	10:00	News	10.00
52.9	10:00	News	10.00	61	10:00	News	10.00
53.0	10:00	News	10.00	62	10:00	News	10.00
53.1	10:00	News	10.00	63	10:00	News	10.00
53.2	10:00	News	10.00	64	10:00	News	10.00
53.3	10:00	News	10.00	65	10:00	News	10.00
53.4	10:00	News	10.00	66	10:00	News	10.00
53.5	10:00	News	10.00	67	10:00	News	10.00
53.6	10:00	News	10.00	68	10:00	News	10.00
53.7	10:00	News	10.00	69	10:00	News	10.00
53.8	10:00	News	10.00	70	10:00	News	10.00
53.9	10:00	News	10.00	71	10:00	News	10.00
54.0	10:00	News	10.00	72	10:00	News	10.00
54.1	10:00	News	10.00	73	10:00	News	10.00
54.2	10:00	News	10.00	74	10:00	News	10.00
54.3	10:00	News	10.00	75	10:00	News	10.00
54.4	10:00	News	10.00	76	10:00	News	10.00
54.5	10:00	News	10.00	77	10:00	News	10.00
54.6	10:00	News	10.00	78	10:00	News	10.00
54.7	10:00	News	10.00	79	10:00	News	10.00
54.8	10:00	News	10.00	80	10:00	News	10.00
54.9	10:00	News	10.00	81	10:00	News	10.00
55.0	10:00	News	10.00	82	10:00	News	10.00
55.1	10:00	News	10.00	83	10:00	News	10.00
55.2	10:00	News	10.00	84	10:00	News	10.00
55.3	10:00	News	10.00	85	10:00	News	10.00
55.4	10:00	News	10.00	86	10:00	News	10.00
55.5	10:00	News	10.00	87	10:00	News	10.00
55.6	10:00	News	10.00	88	10:00	News	10.00
55.7	10:00	News	10.00	89	10:00	News	10.00
55.8	10:00	News	10.00	90	10:00	News	10.00
55.9	10:00	News	10.00	91	10:00	News	10.00
56.0	10:00	News	10.00	92	10:00	News	10.00
56.1	10:00	News	10.00	93	10:00	News	10.00
56.2	10:00	News	10.00	94	10:00	News	10.00
56.3	10:00	News	10.00	95	10:00	News	10.00
56.4	10:00	News	10.00	96	10:00	News	10.00
56.5	10:00	News	10.00	97	10:00	News	10.00
56.6	10:00	News	10.00	98	10:00	News	10.00
56.7	10:00	News	10.00	99	10:00	News	10.00
56.8	10:00	News	10.00	100	10:00	News	10.00

BUILDING MATS. ■ MERCHANTS

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1
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23.4 ELECTRICITY

		1984		1984	
	Index	Price	Change	Index	Change
172	Chen Light 1984	200	+0.1	200	+0.08
173	Sci. Instrum.	200	+0.1	200	+0.08
174	London	200	+0.1	200	+0.08
175	1984	200	+0.1	200	+0.08
176	1984	200	+0.1	200	+0.08
177	1984	200	+0.1	200	+0.08
178	1984	200	+0.1	200	+0.08
179	1984	200	+0.1	200	+0.08
180	1984	200	+0.1	200	+0.08
181	1984	200	+0.1	200	+0.08
182	1984	200	+0.1	200	+0.08
183	1984	200	+0.1	200	+0.08
184	1984	200	+0.1	200	+0.08
185	1984	200	+0.1	200	+0.08
186	1984	200	+0.1	200	+0.08
187	1984	200	+0.1	200	+0.08
188	1984	200	+0.1	200	+0.08
189	1984	200	+0.1	200	+0.08
190	1984	200	+0.1	200	+0.08
191	1984	200	+0.1	200	+0.08
192	1984	200	+0.1	200	+0.08
193	1984	200	+0.1	200	+0.08
194	1984	200	+0.1	200	+0.08
195	1984	200	+0.1	200	+0.08
196	1984	200	+0.1	200	+0.08
197	1984	200	+0.1	200	+0.08
198	1984	200	+0.1	200	+0.08
199	1984	200	+0.1	200	+0.08
200	1984	200	+0.1	200	+0.08

ELECTRONIC

	Index	Price	Change
ASCA B Corp.	183	200	+0.1
ASCA B Corp.	184	200	+0.1
ASCA B Corp.	185	200	+0.1
ASCA B Corp.	186	200	+0.1
ASCA B Corp.	187	200	+0.1
ASCA B Corp.	188	200	+0.1
ASCA B Corp.	189	200	+0.1
ASCA B Corp.	190	200	+0.1
ASCA B Corp.	191	200	+0.1
ASCA B Corp.	192	200	+0.1
ASCA B Corp.	193	200	+0.1
ASCA B Corp.	194	200	+0.1
ASCA B Corp.	195	200	+0.1
ASCA B Corp.	196	200	+0.1
ASCA B Corp.	197	200	+0.1
ASCA B Corp.	198	200	+0.1
ASCA B Corp.	199	200	+0.1
ASCA B Corp.	200	200	+0.1

ELECTRICAL

	Index	Price	Change
ASCA B Corp.	183	200	+0.1
ASCA B Corp.	184	200	+0.1
ASCA B Corp.	185	200	+0.1
ASCA B Corp.	186	200	+0.1
ASCA B Corp.	187	200	+0.1
ASCA B Corp.	188	200	+0.1
ASCA B Corp.	189	200	+0.1
ASCA B Corp.	190	200	+0.1
ASCA B Corp.	191	200	+0.1
ASCA B Corp.	192	200	+0.1
ASCA B Corp.	193	200	+0.1
ASCA B Corp.	194	200	+0.1
ASCA B Corp.	195	200	+0.1
ASCA B Corp.	196	200	+0.1
ASCA B Corp.	197	200	+0.1
ASCA B Corp.	198	200	+0.1
ASCA B Corp.	199	200	+0.1
ASCA B Corp.	200	200	+0.1

APT

[illegible]14.7
ENGINEERING, VEHICLES[illegible]

LD 7.9 GAS DISTRIBUTION

[illegible]

169 HEALTH CARE

[illegible]

Agreement by the Infant
Abolition Society.....M

[illegible]

LEISURE & HOTELS - Cont.

OIL INTEGRATED

PROPERTY - Cont.**SPIRITS, WINES & CIDERS****TRANSPORT - Cont.**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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[illegible][illegible]

MERCHANT BANK'S

[illegible]

R Energy	12	43m	1	55	
SNO	18	138	-1	-189	11

Age	Sex	City	State	Year	Count	Rate	Rate	Rate
18-24	M	Albany	NY	1987	101	101	101	101
25-34	F	Albany	NY	1987	101	101	101	101
35-44	M	Albany	NY	1987	101	101	101	101
45-54	F	Albany	NY	1987	101	101	101	101
55-64	M	Albany	NY	1987	101	101	101	101
65-74	F	Albany	NY	1987	101	101	101	101
75-84	M	Albany	NY	1987	101	101	101	101
85-94	F	Albany	NY	1987	101	101	101	101
95-104	M	Albany	NY	1987	101	101	101	101
105-114	F	Albany	NY	1987	101	101	101	101
115-124	M	Albany	NY	1987	101	101	101	101
125-134	F	Albany	NY	1987	101	101	101	101
135-144	M	Albany	NY	1987	101	101	101	101
145-154	F	Albany	NY	1987	101	101	101	101
155-164	M	Albany	NY	1987	101	101	101	101
165-174	F	Albany	NY	1987	101	101	101	101
175-184	M	Albany	NY	1987	101	101	101	101
185-194	F	Albany	NY	1987	101	101	101	101
195-204	M	Albany	NY	1987	101	101	101	101
205-214	F	Albany	NY	1987	101	101	101	101
215-224	M	Albany	NY	1987	101	101	101	101
225-234	F	Albany	NY	1987	101	101	101	101
235-244	M	Albany	NY	1987	101	101	101	101
245-254	F	Albany	NY	1987	101	101	101	101
255-264	M	Albany	NY	1987	101	101	101	101
265-274	F	Albany	NY	1987	101	101	101	101
275-284	M	Albany	NY	1987	101	101	101	101
285-294	F	Albany	NY	1987	101	101	101	101
295-304	M	Albany	NY	1987	101	101	101	101
305-314	F	Albany	NY	1987	101	101	101	101
315-324	M	Albany	NY	1987	101	101	101	101
325-334	F	Albany	NY	1987	101	101	101	101
335-344	M	Albany	NY	1987	101	101	101	101
345-354	F	Albany	NY	1987	101	101	101	101
355-364	M	Albany	NY	1987	101	101	101	101
365-374	F	Albany	NY	1987	101	101	101	101
375-384	M	Albany	NY	1987	101	101	101	101
385-394	F	Albany	NY	1987	101	101	101	101
395-404	M	Albany	NY	1987	101	101	101	101
405-414	F	Albany	NY	1987	101	101	101	101
415-424	M	Albany	NY	1987	101	101	101	101
425-434	F	Albany	NY	1987	101	101	101	101
435-444	M	Albany	NY	1987	101	101	101	101
445-454	F	Albany	NY	1987	101	101	101	101
455-464	M	Albany	NY	1987	101	101	101	101
465-474	F	Albany	NY	1987	101	101	101	101

General Services _____
 ADP _____
 Material Est. _____

[illegible]

Territory (J) ☒ **J**

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572	571	570	569	568	567	566	565	564	563	562	561	5
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WORLD STOCK MARKETS

EUROPE									
Stock	High	Low	Open	Close	Change	Volume	Value	YTD %	1994 %
AUSTRIA (Jul 5/94)									
ATX	1,250.00	1,240.00	1,245.00	1,245.00	+10.00	1,200,000	1,200,000	+1.5%	+1.5%
BELGIUM (Jul 5/94)									
BEI	3,500.00	3,450.00	3,480.00	3,480.00	+30.00	1,500,000	1,500,000	+0.8%	+0.8%
GERMANY (Jul 5/94)									
DAX	2,800.00	2,750.00	2,780.00	2,780.00	+30.00	2,000,000	2,000,000	+1.2%	+1.2%
FRANCE (Jul 5/94)									
CAC	3,800.00	3,750.00	3,780.00	3,780.00	+30.00	1,800,000	1,800,000	+1.0%	+1.0%
ITALY (Jul 5/94)									
FTSE	2,500.00	2,450.00	2,480.00	2,480.00	+30.00	1,200,000	1,200,000	+1.5%	+1.5%
NETHERLANDS (Jul 5/94)									
AEX	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
SPAIN (Jul 5/94)									
IBEX	1,200.00	1,150.00	1,180.00	1,180.00	+30.00	800,000	800,000	+1.2%	+1.2%
SWEDEN (Jul 5/94)									
OMX	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
SWITZERLAND (Jul 5/94)									
SIX	2,500.00	2,450.00	2,480.00	2,480.00	+30.00	1,200,000	1,200,000	+1.5%	+1.5%
UNITED KINGDOM (Jul 5/94)									
FTSE 100	2,800.00	2,750.00	2,780.00	2,780.00	+30.00	2,000,000	2,000,000	+1.2%	+1.2%
EUROPEAN STOCK EXCHANGES (Jul 5/94)									
Stock <th>High</th> <th>Low</th> <th>Open</th> <th>Close</th> <th>Change</th> <th>Volume</th> <th>Value</th> <th>YTD %</th> <th>1994 %</th>	High	Low	Open	Close	Change	Volume	Value	YTD %	1994 %
AFRICA									
SOUTH AFRICA (Jul 5/94)									
ALSI	1,200.00	1,150.00	1,180.00	1,180.00	+30.00	800,000	800,000	+1.2%	+1.2%
MIDDLE EAST									
ISRAEL (Jul 5/94)									
TASE	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
ASIA									
HONG KONG (Jul 5/94)									
HSE	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
TOKYO (Jul 5/94)									
Nikkei	15,000.00	14,500.00	14,800.00	14,800.00	+300.00	1,500,000	1,500,000	+2.0%	+2.0%
OSAKA (Jul 5/94)									
TOPIX	3,500.00	3,450.00	3,480.00	3,480.00	+30.00	1,500,000	1,500,000	+1.0%	+1.0%
SEOUL (Jul 5/94)									
KOSPI	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
TAIPEI (Jul 5/94)									
TSE	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
BANGKOK (Jul 5/94)									
SET	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
JAKARTA (Jul 5/94)									
JSE	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
SINGAPORE (Jul 5/94)									
SEI	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
NORTH AMERICA									
CANADA									
TSX	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%
UNITED STATES									
Dow Jones	2,800.00	2,750.00	2,780.00	2,780.00	+30.00	2,000,000	2,000,000	+1.2%	+1.2%
S&P 500	1,500.00	1,450.00	1,480.00	1,480.00	+30.00	1,000,000	1,000,000	+1.0%	+1.0%

INDICES	Jul 5	Jul 4	Jul 1	1994	Low		Jul 5	Jul 4	Jul 1	1994	Low	
				High						High		
EUROPEAN STOCK EXCHANGES (Jul 5/94)												
Aegion												
Alcatel	181.70	181.81	181.50	182.00	182.00	182.00	181.70	181.81	181.50	182.00	182.00	182.00
Alcatel	200.04	198.71	198.50	200.00	200.00	200.00	198.71	198.50	198.50	200.00	200.00	200.00
Alcatel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alcatel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alcatel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alcatel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Alcatel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
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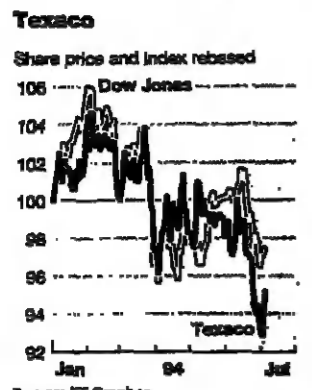
Stability in dollar sparks Dow upturn

Wall Street

Blue chip share prices firmed on the US market yesterday morning, but secondary stocks languished as traders and investors nervously awaited the outcome of the two-day meeting of the Federal Reserve's policy-making open market committee, writes Patrick Harveron in New York.

By 1 pm, the Dow Jones Industrial Average was up 12.83 at 3,659.28. The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 0.70 at 446.90, while the American Stock Exchange composite was down 0.52 at 424.20 and the Nasdaq composite 1.66 easier at 705.19. Trading volume on the New York SE was 110m shares by 1 pm.

Share prices opened weaker across the board, but the Dow



Source: FT Graphics

falling 10 points in early trading as investor concern surfaced that the FOMC, which was due to start its meeting in the afternoon, might vote to raise interest rates to protect the dollar.

In recent days the US currency has fallen to new post-1945 lows against the Japanese yen. The initial losses, however, were not sustained, and prices quickly moved into positive territory, aided by the stability of the dollar, which held its own against the yen and the D-Mark.

Stock market sentiment was also buoyed by a modest firming in bond prices, and by a growing feeling among economists that the FOMC would not push up interest rates just to protect the ailing dollar. Economists said that the Fed would be more likely to raise rates if there was fresh evidence of an overheating economy.

The fact that this evidence may come on Friday, when the June employment report is published, ensured that yesterday's gains in stock prices

were limited. In fact, demand was so spotty that secondary indices such as the Russell 2000 small-cap index, and the Amex and the Nasdaq composites, remained lower throughout the morning.

Among individual stocks, Texaco stood out, rising 1 1/4 to 38 1/4 in busy trading after the oil group announced a significant restructuring that will include the sale of more than half of its US oilfields and a reduction in its worldwide workforce of about 2,500 within a year.

The strength in Texaco shares provided the rest of the oil sector with a lift. Mobil advanced 1 1/4 to 38 1/4, Amoco firmed 1/4 to 35 1/4, Chevron put on 1/4 at 34 1/4 and Phillips Petroleum added 1/4 to 32 1/4. The exception was Exxon, which eased 1/4 to 35 1/4.

Constituents of the Dow were in demand during the morning session, with IBM rising 1/4 to 105 1/4, Merck firmed 1/4 to 50 1/4, General Electric adding 1/4 to 47 1/4 and Philip Morris climbing 1/4 to 52 1/4, all in heavy trading.

Sony rose 3/4 to 93 on the news that because of strong demand the UK manufacturing arm of the Japanese electronics and entertainment group will be raising production of cathode ray tubes by 50 per cent later this year.

On the Nasdaq market, news of a merger between two computer networking groups, Wellfleet Communications and SynOptics Communications, did not go down well with investors. Wellfleet fell 3/4 to 32 1/4, and SynOptics lost 1/4 to 15 1/4.

Canada

Toronto stocks firmed slightly in cautious midday trade as players awaited news on the direction of US interest rates, although weakness in precious metals weighed heavily upon the market.

The TSE 300 composite index edged 3 1/2 higher to 4,056.72, after starting the morning softer. Turnover was 17.4m shares valued at C\$184m. Advances led declines by 235 to 215, with 260 issues steady.

The gold and silver sector dropped 122.19, or 1.3 per cent, to 9,405.18 in spite of firmer gold futures prices.

Active stocks included Minerva Rayrock "A", off C\$0.15 at C\$2.20 with 1.3m shares traded, including a 1.2m-share block crossed by Bunting Warburg; and Bramalea, down C\$0.05 at C\$0.225 with 1.0m changing hands.

Brazilian brokers worry over exchange rate policy

Brazil

São Paulo recovered a little after a mid-morning fall of 2.4 per cent, the Bovespa index losing 434, or 1.3 per cent, in local currency terms to 35,375 by 1300 local time.

Volume was thin, and brokers said that concern over the government's exchange rate policy was keeping foreigners out of the market. They said that foreign investment in Brazilian markets came to an abrupt halt this week as the central bank implemented a new exchange rate policy which was clearly designed to

inhibit foreign capital inflows. On Monday, turnover on the São Paulo exchange dropped to R\$75m (\$73.3m), a fraction of an average day's volume.

Mexico

Equities in Mexico City waited grimly for the result of the FOMC meeting in Washington, the IPC index of leading stocks falling a mere 1.26 to 2,286.28 after a similarly meagre increase on Monday. Brokers were conscious that uncertainty would continue ahead of the 07 meeting at the weekend, and the country's elections on August 21.

EUROPE

Bourses wary ahead of FOMC meeting

Preoccupied with currency and interest rate considerations, bourses were not disposed to react to the mid-morning bounce on Wall Street, writes Our Markets Staff.

FRANKFURT tried for another rise in the pre-bourse, where the Dax index hit a day's high of 2,083.36. However, professionals were conscious that it was only two weeks ago that the index was testing 1,960; and that there will be a number of events to test it over the next few days.

The Dax subsided on the session to close 21.71 lower at 2,061.69, understandable, said Ms Barbara Altmann at B Metzler in Frankfurt, in view of the scope for profit-taking, the sense that a short consolidation would make, and the prospect of high level economic meetings: the FOMC, in Washington, yesterday afternoon and today; the Bundesbank tomorrow; and G7, on Friday.

In the stock bourses, the Dax indicated Dax stood relatively still, although the September bond future fell by a full percentage point from its day's high of 92.42 before it recovered late to 91.80. Ms Altmann thought that the equity market had already discounted a rate rise in the US.

Turnover rose from DM4.6bn to DM5.7bn. There was little acknowledgment of the Chinese high level mission to Germany, and the billion-D-Mark

FT-SE Actuaries Share Indices

Jul 5		THE EUROPEAN SERIES											
Weekly changes	Date	10.30	11.00	12.00	13.00	14.00	15.00	16.00					
FT-SE EuroStoxx 100	1310.01	1319.67	1310.12	1316.28	1314.68	1313.54	1315.16	1316.58					
FT-SE EuroStoxx 200	1299.93	1306.23	1305.50	1305.50	1303.62	1301.39	1301.63	1303.47	1304.71				
	Jul 4												
FT-SE EuroStoxx 100	1286.07	1314.32	1332.54	1351.00	1327.83								
FT-SE EuroStoxx 200	1263.52	1291.97	1322.92	1302.43	1304.56								
New York 20:00 (EST): Index: Dow - 13741.75 - 138.60 S&P 500 - 1313.70 - 20.38													